



UNIVERSITY
OF TASMANIA

Multi-owned Housing Governance: Owner committees and strata managers

by

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Submitted in fulfilment of the requirements for the degree of PhD

University of Tasmania

July 2014

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Acknowledgements

The creation of a thesis takes many things. As a student I have been on the receiving end of many gifts – from a smile of encouragement to financial assistance.

I am deeply grateful to Professor Michael Muetzelfeldt of the University of Melbourne who first encouraged me to dream of research. He allowed me the space to conceive this thesis and followed through with supervision, guidance and encouragement until the end. Without his insight and counsel, this thesis would have been very different and far less interesting.

I am equally grateful to Professor Keith Jacobs and Dr Max Travers of the University of Tasmania who supervised a thesis that was always a bit left of field. Their attempts to guide me towards a more sociological approach are valued. Again this work is better for their input and I have emerged a smaller, shinier onion as a result of their efforts. Thanks also to those who read and commented on final drafts.

I would also like to thank the participants who agreed to be interviewed for this thesis. Without their involvement, the thesis would have remained only an idea. The depth of their knowledge and understanding of strata property is significant while their willingness to share their hopes, dreams and realities have made this work worthy of consideration.

To the University of Tasmania and AHURI, thank you for the opportunity to research and for the financial support provided during my candidature.

To my friends and family, new and old, thank you for your patience, encouragement and willingness to support me in something that you did not understand. None of us knew what it would take. Sam, thank you for the walks. Thanks also go to Mrs Letitia Smith – who would have thought?

Abstract

In Australia, the strata mechanism is used with increasing frequency by developers as the primary method for division of real property assets and on-sale of individual property lots. Any land that falls within the strata scheme but outside the individually owned lots is termed the common property. Individual lot owners have right of access and use of the common property. They are also legally tied to the common property and responsible for its maintenance. To facilitate the maintenance, upkeep, access and use, a committee of management is required. While some research has been undertaken into strata issues within the states of Queensland and New South Wales, little is known of the Victorian or Tasmanian context. Fewer studies still concentrate on the committee of management and their interaction with strata managers, even within the international sphere.

The privatised governance structures within apartment and townhouse developments have evolved into complex organisations that make consequential decisions that affect property owners. This thesis examines the growth of the strata industry and the influence that strata managers have over committees of management. Issues of trust, participation, openness and transparency in this contractual relationship are investigated. The thesis also investigates the links that strata managers have with developers and how this shapes the owner corporation.

While the growth in strata titled properties can be understood as a legal or planning issue, this thesis seeks to contribute to our understanding of how these non-profit organisations, relying on volunteer labour, are managed as part of a shareholder democracy. Within the Australian context, the owner corporation is shaped and constrained by wider society through the taxation system and wider economic context. The thesis also looks critically at the organisations' capacity to govern by drawing on qualitative interviews with strata managers and committees of management. This approach highlights the strengths and weaknesses of externally sourced, contractual help within the strata environment.

The thesis considers the implications of this empirical, sociologically informed approach for studying strata title. Theoretical insights were gained through the application of structuration theory in order to investigate the actions taken by different stakeholders, and the reflexive monitoring that occurs within strata organisations. The power plays (and therefore conflict) identified in the interviews are then investigated further through using the concepts of coercive, mimetic and

normative forms of isomorphism employed by new institutionalists. This thesis demonstrates that developers have a great deal of influence on committees of management through their role in establishing these organisations, but that managers exercise agency while working within these structures.

The thesis also advances some policy recommendations for the strata industry suggested by the empirical research. These include the need to address the lack of purchaser knowledge; the need for owners, strata managers and committees of management to understand trust, conflict and training issues; the need to address the complexities of upgrading buildings particularly where environmentally sustainable retrofitting occurs; and the need to understand the impact of various tenancy types on the functioning of the owner corporation.

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Part A – Structure and setting

1.0 Thesis introduction

The growth of private spaces within cities is a feature of the current era. The proliferation of privately governed suburbs and cities has been widely commented on among urban planners and housing theorists. For many academics, it is the spatial spread of this phenomenon that is crucial. Others are interested in the reasons why it has arisen and have linked it to issues of fear and segregation, economic rationalism, growth of middle class elitism and issues of private governance. These topics are not just linked to the growth of gated, private cities and suburbs. Rather, they are central to the growth in all strata communities including master-planned communities, apartment complexes and the Australian experience of the subdivided suburban lot with a unit in the back. There is an increasing focus on the compact, walkable city and urban consolidation. However, the impact for strata developments, property owners and renters has yet to be addressed at any level of Australian government.

Within the Australian context there have been key legislative and economic drivers that have triggered the growth of strata titled property, though these may have been experienced simultaneously across the western world. However, the discussion about private governance needs to be broadened to focus on the creation and functioning of the overarching organisation. Specifically, this thesis sees strata developments as unique non-profit organisations with key responsibilities. This includes collective ownership of common property, creating rules that govern behaviour within the common property and maintaining and upgrading communal property. As such, the organisation or 'owner corporation', which all owners within the complex are part of, accesses expertise from a variety of sources and in a variety of ways. The 'committee of management' is the management group formed within each owner corporation. It is made up of owners from the owner corporation. Key to this relationship is that of the contracted-in strata manager.

This thesis explores three key areas:

- a. How does the governance of owner corporations (as organisations) work?
- b. Within owner corporations, how do strata managers and the committee of management interact to impact governance?

- c. Can structuration theory be used to explain governance within the owner corporation?

The focus is on residential, and mixed residential/commercial owner corporations. Both contain the complexity of personal as well as economic interests. To better understand the relationships that exist between the strata manager and the owner corporation, I have applied Giddens' (1984; 1993) structuration approach which considers both structure and agency as enabling and constraining. This is a good description for the owner corporation since the owner corporation legislation is designed to give agency to the owners within the scheme.

1.1 Chapter introduction

In this chapter, I begin by outlining the overall structure and content of the thesis. I then determine the study boundaries by discussing the key sites of investigation, Tasmania and Victoria, and their commonalities. Finally, I provide a list of key definitions to help guide the reader through this thesis.

1.2 Structure of the thesis

This thesis has five parts organised into eleven chapters. **Part A** contains three sections. The first provides an introduction to the context of the research; the second outlines the structure of the thesis; and the third explains the physical boundaries of the research as well as the limitations of the research.

Part B reviews current academic literature relevant to the strata title environment. It focuses on urban densification and what this means in terms of the creation of organisational form and governance of those organisations. The chapter reviews aspects of organisational literature relevant to the strata environment. I argue that the organisation exists and has real meaning for the actors involved, that there is a commonality of structures and duties that the organisation needs to perform, and that similarities and differences to other organisational forms should be taken into account and can be used to learn from. Within the organisation, insufficient knowledge exists on how two key stakeholder groups - the strata manager and the committee of management – interact within each other and thus affect structural, processes and procedures of governance within the organisation. It raises three questions:

- a. How does the governance of owner corporations (as organisations) work?
- b. Within owner corporations, how do strata managers and the committees of management interact to impact governance?
- c. Can structuration theory be used to explain governance within the owner corporation?

Part C contains the theoretical overview and a discussion of the methods used. Chapter three explains how Giddens' (1984; 1993) structuration theory is applied to the strata context. Giddens (1993) claim that both structure and agency are at once enabling and constraining is acknowledged within the organisational context. In this part, I begin to explore the interplay between the governing structures, set up to cope with the influx of urban dwellers, the strata manager and the actual owners who make up the owner corporation. I question the movement of knowledge between players, who the experts are and how reflexive monitoring provides agency for different sets of actors. A constructed epistemology is advocated with an emphasis on the power paradigm.

Chapter Four outlines the actual methods used to source, collect, analyse and interpret the data for this research as well as the theoretical perspective. An interpretive thematic approach is outlined along with the reasons for choosing such an approach. This includes a thematic analysis of semi structured interviews with strata managers and committee chairs using NVivo as an aid.

In line with Pels (2000), Creswell (1998) and Mills (1959), a method that includes both interviews and collected documents including media reports is chosen. In this chapter I discuss the semi structured nature of the interview questions in terms of qualitative research. I describe how I recruited potential participants and the reasoning behind excluding some participants. Chapter five introduces each participant to the reader.

Part D contains three chapters. Chapter Five documents the results from the media analysis and finds that strata properties are advertised for sale on the basis of luxury, convenience and maintenance free. By contrast, issues of cost, levies and the compulsory nature of belonging to a strata organisation are rarely advertised. It adds to an area in which location specific information only has been undertaken to date. That is, it highlights the lack of upfront information for prospective purchasers of strata property within the Melbourne area.

Chapters Six and Seven provide an analysis of the interview data around four specific themes of governance, stakeholder participation and cohesion, the relationship between the strata manager and the owner corporation and finally the expertise that each party has.

Part E contains two chapters. Chapter Eight outlines the findings, relating them back to the theoretical framework of Giddens (1984; 1993) structuration theory. The shaping of organisations through new institutionalism is discussed. It also considers Di Maggio and Powell's (1991) concept of isomorphism as this relates to the power and conflict paradigms. Chapter Nine summarises the key findings and identifies gaps for future research. A number of policy implications are also discussed in the context of future directions for strata research. Through this lens, the reader is left with the sense of a complex organisation situated within wider political and societal expectations.

1.3 Study Boundaries

Within Australia, each state enacts its own legislation and it should be noted here that a full assessment of legislation does not form part of this thesis. Indeed such an undertaking would in itself constitute a separate thesis in which the intricacies of the legislation are explained. Nor I do not have the legal background for such an undertaking. Sherry (2009) clearly addresses the commonalities between the different State legislation in the Australian context and from a legal construct, and my focus is on this commonality between the states of Victoria and Tasmania. Specifically, I am concerned with the commonalities of shared property, the creation of rules that govern behaviour and maintaining and upgrading communal property rather than the intricacies of fine print and legalese. Whether a committee of management is made up of four or five representatives is not relevant to this thesis. Rather this thesis is more concerned with the commonalities between Australian states, one of these being that owner corporation or body corporate are required to have a functioning committee of management made up of owners. In no instance can non owners join, or hold voting rights. Moreover to focus on the differences in legislation would detract from the organisational aspects of structure and agency, and the extent to which one either constrains or enables the other. Commonalities in legislation do need to be considered, since this sets up the basic structure of the organisational type under discussion and determines how the organisation's participants interact, thus highlighting the tension in the structure

and agency debate. To understand this tension in the context of this study requires a familiarity with the owner corporation legislation when assessing governance aspects of the organisation.

The study is concerned with the two Australian states of Victoria and Tasmania. Figure 1 locates the two states within Australia. The two states have much in common. Historically there are critical links between the two states. Tasmania acts as a regional economy with few companies of any size having their headquarters in Tasmania. This includes companies within the development, construction and strata industry. Many multinational companies do not operate within Tasmania since the economies of scale are not present and there are sometimes difficulties in moving material and equipment across Bass Strait. The strata industry, while still growing in Victoria, is significantly more mature than in Tasmania. At the start of this project, Strata Australia did not have a representative industry body in Tasmania. Now it has a Tasmanian Chapter, though it is administratively managed from Victoria. Legislation between the two states, although different, is similar in key aspects.

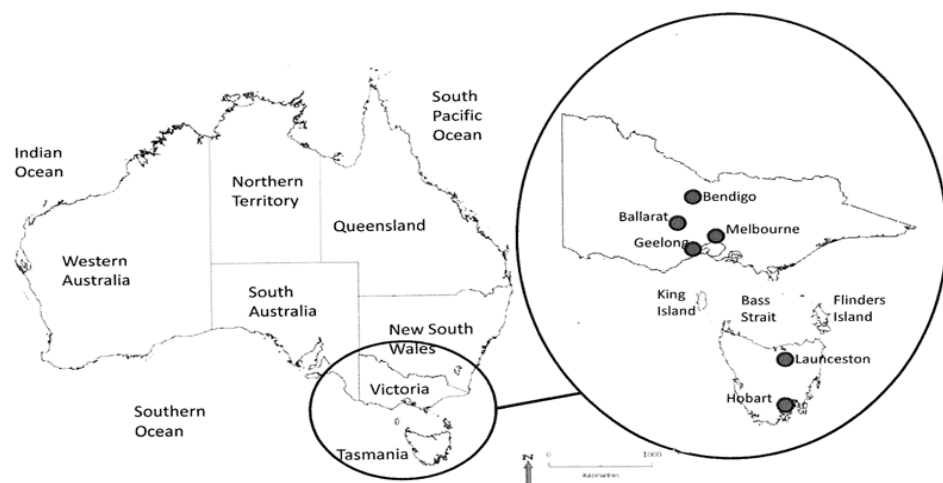


Figure 1 Location of study within Australia

There are a number of valid reasons why the two states are linked in this study and these are outlined below. Firstly, while the legislation governing the creation of an owner corporation differs between the two states, the commonalities of rule

creation, levy collection, building maintenance and insurance apply. Moreover, the lead industry body operating within the two states is the Strata Australia (formerly the Owner Corporation of Victoria (OCV). In May 2011, Tasmania's strata managers voted to create a separate chapter of this organisation; doing so with the administrative support and assistance of the OCV. Thus there exists a link between the two states with a view to the provision of one legislative framework that goes beyond industry support for the owner corporation. OCV's industry newsletter applies to both states. However, at the present moment Victoria's legislation is still relatively new having been enacted in 2006, while Tasmania's legislative framework is older with few changes since its inception a decade earlier. At the time of this research both states were in the process of legislative change and it cannot be determined at which point changes will become open for public comment or when the legislation will be enacted.

1.4 Key Definitions

The present study makes reference to and relies upon a number of terms, concepts and abbreviations. A number of key ones are listed below, while others are introduced at appropriate places within the text as part of general discussion.

ABS	Australian Bureau of Statistics
Apartment	A dwelling that has separate title but is situated within a larger building complex and has common property attached. In the context of this thesis, and unless specified, the separate title has been issued as a strata title. Usually within a medium or high density complex or tower building.
ATO	Australian Taxation Office (ATO) is the principal revenue collection agency of the Australian Government. The role of the ATO is to ensure the community as confidence in the administration of Australia's taxation and superannuation systems.
Building manager	In this context it is an on-site manager of the building. Different to a concierge in that the concierge will attend to administrative duties only whereas the building manager may also attend to minor maintenance problems in addition to administrative duties.
By-Laws	The rules made by the owner corporation under the Owner Corporation Act 2006.
Body Corporate	The name other jurisdictions use for the legal entity created under the Owner Corporation Act 2006.
Body Corporate Rule	The laws that regulate the conduct of members of the body corporate. For the rules to have meaning within the law, the rules need to be lodged with the Recorder of Titles.
Certification	The certification is what a planning authority does to a plan of subdivision when it is satisfied that the plan complies with all of its requirements and those of the referring authorities. When certification is complete the plan of subdivision can be lodged with the Recorder of Titles.
CID	Common Interest Development (CID) is an American term that has the same meaning as an owner corporation.

Condominium	An American term for an apartment.
Contract	A legally binding obligation between two people or organisation in which there is an exchange of goods or services and sealed with the exchange of funds.
Committee of management	The elected body that represents all owners within a strata titled development and created under the Owner Corporation Act or other state based legislation.
Common property	The area on a plan of subdivision which is not included in one of the lots but is owned and used in common by those lot owners who are members of the owner corporation.
Common Seal	The stamp that an owner corporation uses to indicate its agreement to something. The stamp needs to show the owner corporation distinctive number. The number is allocated at the time the Recorder of Titles agrees to register the plan of subdivision.
Consolidation	A number of separate lots or pieces of land that are amalgamated into one single lot.
Community Housing	A form of housing that allows multiple ownership property in common. A key feature of this type of housing is that interviews are often held with prospective owners and tenants. The governing body has a right to refuse to sell or rent to an applicant is deemed unsuitable.
Co-housing	A different term for community housing.
Developer	The person or company responsible for creating the subdivision of land and subsequent building complex containing apartments.
Domestic building work	The construction of residential premises and any renovation, alterations or extensions carried out to the residential premises.
Dual occupancy	Where a house block is subdivided to enable an additional dwelling to be built on it. It requires a two lot subdivision.
Flat	A lot that has separate title but is situated within a larger building complex and has common property attached.
Gated community	A strata titled community that is exclusive in nature and has walls and gates to keep non owners out of the community.
Governance	Refers to a structure, processes and procedures that determine how decisions are made in a system and what actions are taken within that system. In this instance, the system is the owner corporation. Definition taken from Easthope and Randolph (2009).
GST	Goods and services taxation collected by the Australian Taxation Office.
HOA	Home owner association – an American term that has the same meaning as an owner corporation.
IT 2505	A ruling made by the Australian Taxation Office in relation to the way in which tax is apportioned for non-profit organisations.
Lifestyle community	A development in which free-hold title lots have been replaced with strata title lots. There is an age or some other limiting clause that prohibits certain types of people from purchasing lots within the community. Often they have additional features such as golf courses, tennis or riding club rooms attached to the common property.
Lot	A name given to the separate pieces of land, airspace or building that come into existence when a plan of subdivision is registered.
Lot entitlement	The share of ownership that a lot owner has in the common property.
Lot liability	The proportion of the owner corporation expenses for which a particular lot owner is responsible.
Master Planned Estate (MPE)	A broad acre development in which free hold title lots have been replaced with strata title lots.
Member of an owner corporation	The owner of a lot that is shown on a plan of subdivision as being affected by an owner corporation.
Mixed use	A building complex in which the individually owned lots have different uses such as residential, commercial or industrial use.
Non-profit organisation	An organisation that has sought an exemption from paying taxation based on the fact that all funds are used for a common good and no dividends are

	payable to the owners or shareholders of the organisation. Owner corporation are non-profit organisations under this ruling.
Nesting	As defined by Townshend (2006), nesting is the hierarchical layering of governance with a strata titled property set up.
Off the plan	This expression used to describe the sale of a yet to be built, or partially built apartment or unit. It may be residential or commercial in nature. When something is sold off-the-plan there is an obligation on the seller or developer to complete the building and register the plan of subdivision.
Owner	The owner of a lot that belongs to an owner corporation.
Owner Corporation	The legal entity automatically created under the Owner Corporation Act 2006 when the Recorder of Titles agrees to register a plan of subdivision under this Act.
Planning permit	The written approval from a planning authority to use land for a particular purpose. A planning permit is nearly always required before a subdivision can be carried out.
Plan of subdivision	The drawings that show the layout of the lots and provide all necessary information about the development.
Public open space	Public open space (POS) is land set aside within a subdivision for recreational purposes.
Proxy	The authorisation that a member of the owner corporation gives to someone to attend meetings of the owner corporation on their behalf and to speak and vote at the meeting on their behalf. The authorisation may be general in nature or may give specific instructions on how to vote on a particular matter.
Quasi gated community	A strata titled community that is exclusive in nature and has partial walls and/or gates to discourage non owners from entering the community.
Recorder of Titles	A statutory position.
Registration	The final approval of the plan of subdivision by the Recorder of Titles
3R	The three property R's. These are property rights, property restrictions and property responsibilities. It is the difference in the profile of the 3R that determines whether a property is freehold title for strata titled.
Services apartment	An apartment plus furniture that is leased as a short term let and also includes a cleaning contract for the premises.
Short term lease	A rental agreement that is less than six months in nature. Often this may be a rental agreement of one or two nights or weekly.
Sourcing	Refers to the strategy of how goods, services and expertise are gained through contractual mechanism, whether internal or externally.
Stock Housing	An earlier form of multiple ownership under which a company would own a block of flats and issue shares which entitle the shareholder to occupy one of those flats. The shareholders and company would normally enter into a service agreement which regulated the conduct of shareholders and use of common areas.
Strata manager	A person appointed by the owner corporation to look after its affairs. The strata manager will not, generally be a member of the owner corporation. The strata manager may belong to a larger company of strata managers.
Special resolution	A vote of three-quarters of the membership of the body corporate. At a meeting such a resolution needs three-quarters of the votes of all lot owners. A poll or ballot requires three-quarters of the votes of total lot entitlement.
Strata title	This is a three dimensional title as distinct from a standard land subdivision which operates by designating land though X and Y coordinates. Strata title has an X, Y and Z dimension or length, width and height coordinates. Ownership of a strata title lot is identified by all three dimensions.
Unanimous resolution	A vote by all members of the owner corporation. Some by-laws or decisions made by the owner corporation require a poll or ballot in which total agreement is reached.
Unit	A lot that has separate title but is situated within a larger building complex and has common property attached. In the context of this thesis, and unless specified, the separate title has been issued as a strata title.

Vertical gating	A strata titled community that is an apartment complex with more than one floor. The gating may be by electronic access. In any case the front doors and entrance to the building discourage non owners from entering and using the building.
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This chapter has provided an overview and introduction to the thesis as a whole, as well as outlined baseline definitions. The next chapter discusses the substantive issues that go to the heart of the research project.

Part B - Review of Literature

Chapter 2 - The strata sector

2.0 Introduction

Australia has traditionally been a home owning nation with much of that home ownership occurring within a suburban setting dominated by free title land holdings as opposed to strata title. Though there has been a shift, it is not so much in terms of home ownership rates *per se*, but in the way bundles of property rights, responsibilities and restrictions (3R) are apportioned within the sphere of home ownership. Randolph (2006, p. 474) notes that as 'the suburban option is increasingly curtailed, Australians of all levels will be expected to spend substantial proportions of their lives in a form of housing that hitherto has only been a minority choice'. The differentiation is no longer an urban – rural split. It is a suburban – urban split with increasingly numbers of high density urban dwellers.

In 2007, for the first time the global urban population outnumbered the world's rural population (UNFPA 2007). Within Australia, larger cities, regional towns and some coastal regions experienced increasing urban densification. Australia's current population of approximately 21 million people is primarily collected along the eastern sea board with major population centres in Sydney, Brisbane and Melbourne. The population of Australia is expected to almost double to 35 million people within the next forty years (Rudd 2010) placing pressure on Australia's infrastructure and increasing urban density. The 2011 Australian census (ABS 2011) states that one in four Australians live or own interests in strata titled developments. The states of Victoria, NSW and Queensland have reached one in three people living or owning property within a strata development (ABS 2011). The rapid growth in this type of housing creates difficulties for policy makers. Social demographers have struggled to make sense of globalised patterns. Market forces combine with fiscal constraints to create new centres of power. Prospective purchasers need time to adjust to the meaning of joint ownership of space and place in their search for home. These forces combine to shift the focus away from emergent organisational forms of property ownership and the role they play in governance.

This chapter introduces the reader to the concept of the strata titled property mechanism, the form of housing to which Randolph refers. The first section outlines the rise of strata titled developments within the Australian context. The second section defines the strata mechanism and introduces the reader to key definitions used throughout this thesis, including the concept of the owner

corporation. It provides a straightforward account of the governance mechanisms that operate within the owner corporation along with the structure, process and procedures that make up the governance mechanism. I then consider key differences in owner corporation law. The final three sections consider the relationships between two key players, the owner corporation committee of management and the strata manager and the importance of contract mechanisms in defining the role of each party. I discuss the drawbacks that academics have brought to our attention concerning contractual relationships. I highlight the emergence of a new professional association. As part of this review I conclude by highlighting the literature gaps that this thesis fulfils. I leave discussion of the sociological theories that may apply to these for Chapter 3.

2.1 Why strata? Why now?

Australia has much to contribute to research on high density living. There has been significant debate as to where and how strata titled properties first originated. McKenzie (1996) traces this back to a corrupted version of Ebenezer Howard's Garden City in Nebraska, USA while Webster and Le Goix (2005) note that Paris was a mid-19th century centre for similar types of property. Nevertheless, the introduction of the strata title mechanism to the Eastern states of Australia in the early 1960s has meant that there is a fifty year period of accumulated experience with this property type in Australia. Easthope and Randolph (2008, p. 244) note that Australian legislation has formed a basis for jurisdictional reform in other countries such as Canada, New Zealand, South Africa, Singapore, Indonesia, Brunei and Malaysia. The take up of Australia's legislative framework by so many other countries highlights the significance of our urban consolidation policies and frameworks to an international audience.

Yet it is only in the past decade and a half that urban consolidation has become the dominant paradigm of planning policy. This paradigm has generated significant interest from urban researchers in associated fields. There has been a tendency to concentrate planning issues (Dredge & Coiacetto 2011), legislative issues (Everton-Moore et al. 2006; Sherry 2009; Blandy 2010), management issues (Budgen 2005; Pouder & Clark 2009; Warnken & Guiding 2009), socio-cultural issues such as diversity, segregation and security (Brunn 2006; Low 2006; Kern 2007; Webster & Le Goix 2005), economic issues including housing stock planning, price and renewal; life cycle costs and building termination (Easthope & Randolph

2009; Johnston & Reid 2013; Warnken & Guilding 2009) and environmental issues (Altmann 2013; Randolph 2006; Troy 2002). Issues of governance where addressed, concentrate on owner experiences (Goodman & Douglas 2010) or developer influence (Bajracharya & Khan 2010). Few give serious attention to the place of strata managers or their impact on the committee of management. Where mentioned, it is more as a passing glance that acknowledges presence but not the impact of governance processes and practice. Guilding et al. (2005) for example details a comprehensive list of stakeholders including owner-occupiers, investor owners, resident property managers, building or site managers, strata managers, maintenance and repair companies, real estate agents, letting agents, management rights brokers, legal practitioners, developers, financiers, local, state and federal government agencies, local residents, tourist accommodation management companies, hotel and motels, insurance industries, energy and communication service providers, media and aged care industries. Though strata managers are mentioned, committees of management are not. Consequently, the relationship between the two groups cannot be identified and explored in terms of the structure, processes and procedures that are the focal point of governance. Other academics such as McKenzie (1996; Blakely & Snyder 1998) focus on the owners and the committee of management, but fail to mention the strata manager's role or relationship with these stakeholder groups. Easthope and Randolph (2009; Everton-Moore et al. 2006) note that recent changes to strata title legislation are attempts to mitigate conflict of interest problems that stem from such diverse stakeholder groups. Again, the relationship between strata managers and the committee of management is not discussed in detail, merely noted and passed over.

Within Australia, there are reasons why this omission has developed. Australia's housing tenure system is market dominated (Yates & Bradbury 2010). Despite significant discussion about Australia's declining housing affordability, home ownership rates have remained relatively steady at around 70% of total occupancy over a sixty year period. Much of that housing has remained within rural and suburban freehold title. Other mechanisms were in place to facilitate the repair, maintenance, use and safety of adjoining property. Even where row housing was previously developed within inner cities, the title remained freehold with little or no common property between the two residences. Medium and high density living is a result of increasing population pressures felt over the past two to three decades.

Housing costs are increasingly dominated by market outcomes. Hence there has been an increased focus on housing affordability and it was upon this platform of increasing housing affordability that strata titled housing was first introduced to Australia. The introduction of strata titled housing coincided with the post World War II housing demand. Historians Butler-Bowden and Pickett (2007) note that the introduction was developer driven and cite archival documents to show that building development company Lend Lease Pty Ltd paid private solicitors to draft the first Australian legislation allowing separate title to co-joined dwellings as part of the strata title mechanism.

While co-joined housing was built previous to this time, the form of legislation was different, and referred to as either stock housing or community housing. Much of New York City for example, is still governed by stock housing. Stock housing is based in the trading of intangible shares (McKenzie 2006b). In stock housing, the company owns the total property with shareholders merely purchasing a block of shares and the right to occupy within a company structure. Also present prior to the introduction of strata title legislation, were various forms of co-operative or community housing. In co-operative or community housing, there is a deliberate intention to build a community through consensus which is maximised prior to purchase. In the Australian context, this possibility still exists through other forms of legislation. For Beito, Gordon and Tabarrock (2002) the 'voluntary city' most closely equates with this type of consensus built community housing. Both stock housing and community housing are excluded from this thesis. I mention them here merely to situate and provide context to the discussion of strata titled forms of property ownership since many older cities have large numbers of apartments created without the strata title mechanism.

Australia's industry figures show a story of growth:

- There are around 250,000 owner corporation comprising two million lots .
- There are approximately 2,500 owner corporation managers in Australia (OCV, 2010).
- Property worth more than \$500 billion is strata titled.
- An estimated 20,000 Australians work in and derive their income from the strata title industry.

- Urban planning policies around Australia are targeting annual growth of more than 10% for the next 15-25 years; the prevalence and importance of this sector is increasing (OCV website, accessed 12 July 2011).

For Victoria, the following figures reflect the increase in population and the shift to a more dense city, but also one that is investor driven:

- Approximately 65,650 owner corporation and 483,590 lots.
- \$1 billion per year is collected in fees and levies representing the management of property worth \$48 billion or approximately 7% of the total value of all property in Victoria.
- An estimated 20,000 new apartment dwellings will be completed over the next ten years in the City of Melbourne.
- In 2009 -2010 year, 91% of new strata titled property in Victoria was sold to investors.
- Medium sized strata developments (20 to 100 lots) reaped 46% profitability for strata managers.
- 1.2 % of existing units are compelled by legislation to have a 10 year maintenance plan with the majority not required to pre plan at all (Strata Australia accessed 12 July 2011).

The concern of this thesis, then, is on the form of home ownership that relates to the strata title mechanism, the different governance arrangements that result from that legislation and the interaction of two key player groups, that of the strata manager and the committee of management. To create a better understanding of this relationship, a description of the mechanism and key players is required at this point.

2.2 Governance arrangements and the strata title mechanism

Khublall (1995) concluded that in Australia, along with several other countries, property rights and responsibilities of the parties are governed through legislation. However Khublall's statement does not go far enough. Wallace (2012, p. 26) rounds out this statement by commenting on the rights, restrictions and responsibilities:

'Rights are the familiar territory of the land markets, ownership and tenures and gain their strength when strangers to the rights (including government) are required to respect them. Rights are therefore conceptually related to duties owed to an owner by everyone else... Restrictions are a growth area as governments increase regulatory frameworks to meet the imperatives of climate change, comfortable neighbourhoods, funding for essential services and more. Australian laws place hundreds of restrictions on land activities and uses. Restrictions can be seen as duties owed by a landowner to civil society and government managed by multiple regulating agencies. Responsibilities are vaguer: they are familiar to those who live in condominium titles, where use of an apartment must be proscribed by considered mutuality.'

Because rights, restrictions and responsibility (3R) rely on regulatory mechanisms, many see strata title as a legal mechanism rather than the creation of a governing organisation. For example Rajabifard and Williamson (2012) note that land information infrastructure and the way that land is divided and governed is driven by economic, environmental, social, governance and technological management considerations. Within the Australian context, strata developments encompass not just condominium developments, but planned and gated suburban communities, low rise single dwellings and tower apartments. They may be residential or commercial. Freestanding homes, apartments, retirement villages, retail outlets, offices, motel rooms, storage units and car parks have all been strata titled and on-sold.

Strata titled property occurs when a real property, whether a building or land estate is divided and sold to more than one owner, with each owner retaining sole ownership over his or her private real property, at the same time retaining an interest in elements common to more than one owner (Blandy 2010). A strata scheme comes into operation with the ratification of strata titled surveyed plans to build a property complex (DPIWE 2008). Within Australia, the ratification of the plans by permit authorities (councils) and state governments automatically creates an organisation to manage the assets that are common to each title holder (Libbis & Leshinsky 2008).

Almost a decade ago, Everton-Moore et al. (2006) provided a jurisdictional stocktake of Australian strata title legislation outlining key similarities and differences in legislation between the states and territories. Since that time, all states have undertaken a review of their legislation and at least half of the states, including Victoria and Tasmania, have made changes. However as Sherry (2009) points out, there are still a sufficient amount of similarities in legislation for the major points to remain applicable to all states.

Though the legislation may be similar there is a significant amount of variety in the legislative terminology between the Australian states and territories. Both Everton-Moore et al. (2006) and Johnston and Reid (2013) provide comparative analysis of the jurisdictional terminology used to describe the strata title mechanism within Australia. However within this research the more descriptive term 'owner corporation' is used instead of 'body corporate', 'HOA', 'CID' or 'condominium'. It is the term used in the Owners Corporation Act 2006 (Victoria) which came into operation in December 2007. Within the strata title schemes created under this legislation, all lot owners make up the owner corporation and have shared rights and responsibilities over the common property within the scheme while retaining individual title to a separate lot, often an apartment. McKenzie's (2006b, p. 11) definition states that the main elements to this type of housing are 'common ownership of real property, private land use controls, private governance, master planning and, with increasing prevalence, the use of various security measures' covering many of the key points encompassed within Australian legislation. His definition fails to focus on the restrictions placed on owners within these schemes. Sherry (2009, p. 133) on the other hand describes the three major components within owner corporation as:

- The collective ownership of common property;
- The creation of rules that govern behaviour within the complexes and
- The creation of a governing body to control administration of the common property and rules for behaviour.

Thus Sherry raises the profile of restrictions by reference to the creation of 'rules'. These three components remain universal across jurisdictions and it is from the collective holding of property in common that 'owner corporation' are named. Sherry (2010) considers the owner corporation to be a fourth layer of governance. However though created through a legislative imperative, the owner corporation is

not always seriously considered by local council, state and federal departments as a significant governance structure. Rajabifard, Williamson and Kalantari (2012), for example, refer to the need for harmonised governance structures between local, state and federal governments in relation to land information sharing mechanisms. They remain silent on the exclusion of owner corporation from this need though it is a land based property sharing mechanism. Sharing of information is essential in relation to determination of lot entitlement and liability. For example where a strata scheme is in effect, the title documents will also designate a lot entitlement. The lot entitlement is the share of ownership that the lot owner has in the common property. This is different to a lot liability. The lot liability is the proportion of the owner corporation expenses for which a particular lot owner is responsible (Libbis & Leshinski 2008). The expenses incurred in maintaining the common property are proportionate among the owners and most often relates to the lot liability percentage. This is particularly important information sharing issue since where landlords are absent from the building and information is not kept up to date, there are few other ways of contacting the landlord, finding addresses or serving notices on absent owners.

At this point there is a need to identify what constitutes the common property. Here there is a problem. In earlier schemes common property was named within the legislation. However as market product differentiation between various types of strata schemes (gated enclaves, lifestyle villages and apartment complexes) have increased there has been a move away from prescribing what constitutes common property within the legislation. Hence Christudason's (2004) view that consensus on definitions of what constitutes common property may be difficult to reach, despite being defined in legislation. The Owner Corporation of Victoria 2006 for example defines common property as 'land shown as common property on a plan of subdivision or a plan of strata or cluster subdivision' (Victoria 69/2006). Such descriptions, leave the determination of common property with the strata scheme creator (the property developer), while future owners may struggle to make sense of survey plans. In practice, areas between and separating each strata titled unit, such as wall cavities, roof, roof space and air above the roof, and the building facade itself may be included within the definition of common property. Other common areas may include gardens, gymnasiums, car spaces and driveways, stairwells, lifts, security and air conditioning systems, as well as water, sewerage, electrical and fire connections. In master planned or gated communities the

common property may include golf courses, marinas, parkland and roads. As common property, the administration of such systems will fall within the powers of the owner corporation's committee of management, making the owner corporation reliant on professional plan readers and intermediaries such as strata managers. At an international level, this inconsistency of terminology creates difficulties for comparison between schemes (Hyatt & French 2008; McKenzie 1996). Moreover the complex nature of title documents and the developer mandated restrictions they contain 'running into many hundreds of pages' (McKenzie, 2006a, p. 15) creates a complex system that is difficult for owners to negotiate.

Accompanying the title documents are a set of rules that govern behaviour within the common property. Where no rules have been made by previous owners or by the developer, a set of model rules apply (Libbis & Leshinsky 2008). However variances between the different forms of planned communities and strata developments include the nature of by-laws that can be created. Whereas local authorities in conjunction with the developer may mandate conditions for the development at the scheme's inception, by-laws created by the owners corporation are unable to limit the conditions of sale, re-sale or rental of the unit. Thus a local authority or council may mandate that a short term rental is unacceptable within a complex whereas the owner corporation cannot impose similar restrictions at present in Australia without the agreement of the majority of owners. Likewise, a local council may mandate that a planned estate is only for the 55+ age group or student accommodation, whereas the owner corporation is unable to discriminate on these terms. Indeed the limitation of such rights by owner corporations within the USA has been seen as a negative experience creating legal and social difficulties (Hyatt & Stubblefield 1992). This concern goes to the heart of who uses the common property, how often and why. Certainly Easthope, Hudson and Randolph (2013) note that there has been little focus on the restrictive nature of strata title living particularly at the purchase stage, thus giving prospective purchasers and unrealistic view of their future living and ownership arrangements (Goodman & Douglas 2010; Blandy & Lister 2006). This lack of understanding does not bode well for collective living arrangements.

2.3 Owner corporation and organisational form

The lodgement of strata title documents creates 'a set of legal constraints and the formation of a group of people within a specific purpose' thus fulfilling Clegg et al.'s (2006, p. 1) definition of an organisation as 'the collective bending of individual wills to a common purpose'. Within Victoria, the Owner Corporation Act 2006 defines the organisational structure with reference to: committees of management; subcommittee formation; who can sit on the committee; who may chair it and who has the authority to outsource duties to other commercial operators or organisations. Within the committee structure owners generally have one vote per property (Sherry 2009). Owners may be elected to the 'committee of management'. The committee of management acts as the elected governing board, and is responsible for governance within the organisation. As Easthope & Randolph (2009, p. 247) note, 'governance refers to structure, processes and practices that determine how decisions are made in a system and what actions are taken within that system'. The decision making power sits largely with this group of owners though all owners have voting rights along with the ability to nominate for a position on the committee of management.

Legislative mechanisms create a hierarchical structure. Figure 2 indicates the legal organisational structure in the Australian context, one that is designed to provide agency to the property owners. It should be noted however that sub committees may exist either at the behest of owners, or be mandatory as a result of the schedules lodged with the property title by the developer.

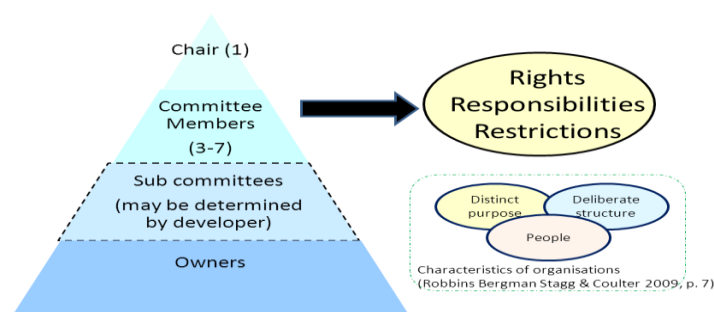


Figure 2 Legal Structure of the Owner Corporation providing Agency

Viewing the organisational structure in this way, it is possible to see the political aspects of the organisation. At the local level micro politics exist within private neighbourhoods (Glasze 2006a). McKenzie (1996, p. 2; see also Silverman & Barton 1994, p. 144) notes that within western constitutions, democratic principles that exist at national, state and municipal levels are violated at the organisational level of the owner corporation including principles of public and pluralistic decision making, and principles of equity and sovereignty. Competing interests and the absence of democratic institutions are out of balance within the owner corporation, bypassing basic democratic principles (Glasze 2006a, p. 41; see also Scott 1999, p. 20). For example meetings may be closed, and proxy votes may be exercised. Sherry (2010) has written about purchasers ceding proxy votes to the strata manager or developer as part of the initial purchase contracts.

Glasze (2006a, p. 41) makes the following points in relation to the way democratic principles may be violated by private governments such as owner corporation:

- At higher levels of government, directors of boards are not bound to property ownership or place of residence. Tenants have a voice in the functioning of society. Voting rights vary in different countries.
- There is no opposition to “keep the bastards honest” (Chipp, 1977) as there are with higher levels of government. Board members determine the agenda through privileged access to information. Detractors and minorities risk being dominated, or else need to make their own bid for leadership under ‘coup’ like circumstances.
- Dictatorial and oligarchic structures exist in which developers may dominate the decision making by retaining ownership and voting rights to a portion of the properties. The complex nature of the governing documents is such that the developer may be the only person on the committee of management that understands the full impact of a given decision.

Foldvary (1994) nominally agrees, stating that in devolved democracies the standards of equality and transparency are less rigid than other levels of government. There is a duality of interests between the individual owners’ interest and that of collective action in the organisation’s interest. These competing interests create an appropriate climate for micro politics to develop. This may be between owners, the owners and the governing corporation, the corporation and the management company, the governing organisation and the developer, or a

combination of these as depicted in Figure 2 above. Chen and Webster (2006a) report low participation rates by owners in their organisations, and refer to Guo (1999) who found that owners drew lots to serve on their committees since no-one volunteered to serve willingly. Chan and Chui (1997) found that several factors affect participation in voluntary organisations, leading to poor outcomes. Volunteers donated around nine hours per month with those in lower socio economic communities unable to afford the time or lost income required to participate. Bush and Gamage (2001) found that the provision of governance was a volunteer activity with no extrinsic rewards, resulting in difficulty attracting suitable candidates. The number of volunteers rarely exceeded the number of vacancies (Gamage 1996). Parker (2007) reported that finding voluntary board members with appropriate expertise was difficult and there is a tendency for them to operate without all members. Filling positions becomes not so much a matter of 'who the best person for the role is' but 'who is available to fill the role'. Owners may lack interest in volunteering their time and services to the organisation, or due to family and work obligations be unable to attend meetings, thus creating a microclimate in which egocentric behaviour flourishes. The checks and balances that participative governance relies on, becomes jeopardised.

Chen and Webster (2006a) found that when levels of trust decreased among owner corporation, the level of engagement decreased leading to fewer participants, leading to increasing amounts of conflict among members. McKenzie (2006a) has commented on this extensively through many publications. However it is best illustrated in his 2006 study into Las Vegas's "Bonanza Village" in which local council negotiated with an organisation that was not representative of the residents and held no legitimate power. The fact that these negotiations occurred raised the power status of the illegitimately formed owner corporation. Negotiating with a break off group of residents met the council's agenda of privatisation of neighbourhoods. When transparency and accountability are diminished in an organisation, conflict sets in. Emotions are heightened due to the 'rootedness' (Giddens 1984) and sanctity of home being jeopardised. It is difficult to form habits that facilitate the sanctity of home under such conflict and ontological security is threatened.¹

¹ This concept of emotional attachment and rootedness is explored further in in the Part 3 of this thesis.

Figure 3 reflects a multi-story strata building precinct in Melbourne showing a 'nested' structure. 'Nesting' is a tiered structure that occurs when several smaller owner corporation are governed by a larger, overarching one (Townshend 2006) and may entail designated mixed use property within the one strata scheme. Melbourne's inner city apartment sector has several nested developments. These title documents were obtained from the original developer as part of the background research. The developer designated organisation shows a complex organisational structure with a number of sub committees to assist in the functioning of the organisation, all requiring volunteers with a minimum quorum of volunteers in order to operate. The structure shows a multitude of reporting requirements with a formal, bureaucratic structure, with several committees and direct lines of reporting. Because the structure is linked to title documents by the developer, the structure cannot easily be altered to meet the changing needs of the owners, including a deficit of volunteers.

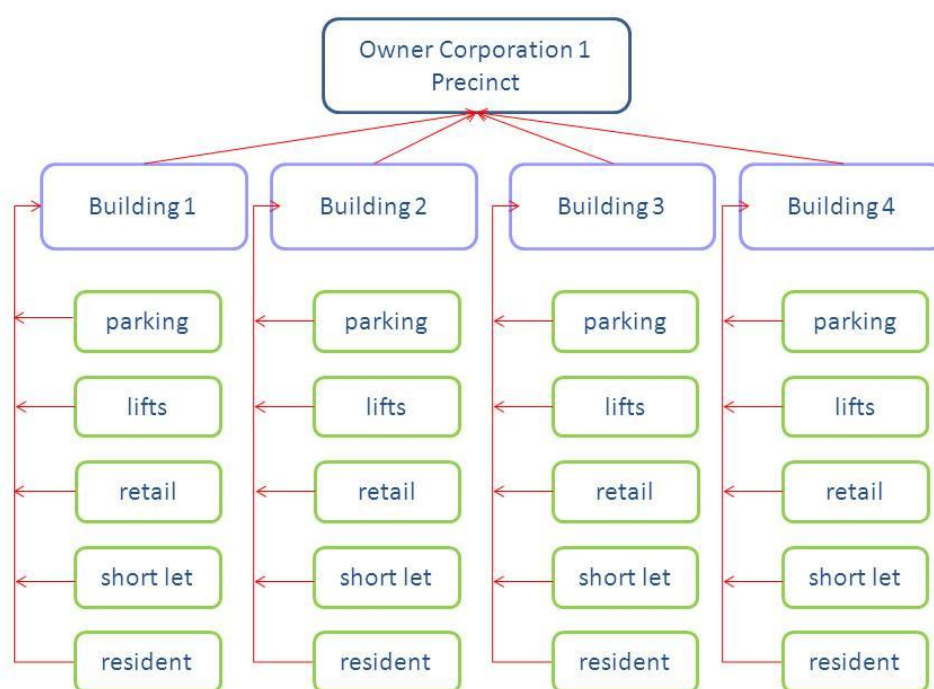


Figure 3 Developer influence on the detailed structure of management

Evans et al. (2005) indicate that governance regulates interaction between partnerships, assisting interactions, debate and conflict between local citizens, organisations and local government. Good governance expresses itself through attributes such as accountability, transparency, efficiency, participation and

empowerment, equity, justice, and sustainability (Hye 2000). Langlands (2004) defined good governance as good management which underpins performance and use of public money, engagement and good outcomes. Mumpower (2001) asserts that greater levels of participation will improve decision and implementation strategies. Rahmin (1992) adds that people engagement also increases levels of transparency and accountability thus increasing governance outcomes. Participation therefore is seen as a key area of governance by several authors. Cole et al. (1998, p. 58) found that the essential ingredient for success within owner corporation was an active residents group and that satisfaction was generally high even in larger strata developments. Bounds (2010) in his Pymont studies found that satisfaction with strata living could be high where residents were active. Altermann (2010) and Bounds (2010) both found that participation was greatest in medium density housing where people were more likely to be on nodding terms with each other, thus engendering a sense of trust and increasing participation.

Trust and control can be viewed as structures of interrelated practices that influence the development of different forms of expert power within particular organisational contexts (Clegg 2006, p. 87). Trust is based on predictability of behaviour. Predictability relates to internal or external control mechanisms. Trust and control are closely related (Reed 2001). Not only do residents groups and owner corporation need to be active, they need to perform in a way that engenders trust. Accountability is acknowledged as a key aspect of governance of an organisation and has been linked with governance legitimacy (Aguilera 2005; see also Frankel 1989; Judge & Zeithanal 1992; Malboy & Agarwal 2001) where this is seen as a means of enhancing legitimacy. Legitimacy is also valued as a stabilising concept within organisations (Deephhouse & Carter 2005; see also Goddard & Assard 2006). Board level inclusion is an important and pressing issue in the governance of modern organisations (Kesner et al.1986). Problems tend to arise when participation levels are low and lack of participation infers lower legitimacy of board structures (Spear 2004, p. 43). Jacobs (2002, p. 103) phrases this more positively stating that 'a bottom up approach requires the capacity of individuals to embrace collective action and initiate organisational change'. It is to facilitate this bottom up approach that owner corporation are formed and owners given agency.

However facilitating the bottom up approach is not easy when so few owners understand the differences between this organisation and other organisational forms or the myriad of influences and relationships that the owner corporation has with other stakeholders. The relationship between owners and how the committee of management functions, or in McKenzie's (2006a) view, malfunctions is influenced by both structure and agency between a multitude of players. Several attempts have been made to map these relationships. Guilding et al (2005) applied a 'principal and agency' approach to the owner corporation and separated out resident owners from investor owners as principals, whereas the agent was represented as the onsite resident unit manager responsible for letting and subletting². Guilding et al.'s (2005) study concentrated on the mechanisms that bound residential building managers as agents to a disparate group of owners as principals. It failed to probe relationships more commonly found such as the strata manager relationship. Warnken et al.'s (2005) process map came closer, but again was predicated on a Queensland model complicated by resident managers, and comparisons to hotel trusts. It did however show some of the possible relationships between developers, real estate agents and strata managers and resident managers. However it fails to mention some of the actors or allow the reader to reference the actors to their key functions. Nor does it clearly show the actors in relation to the key duties associated with governance.

Figure 4 maps participant interaction within the owner corporation, providing a visual representation of the flow of power, conflict, interaction and knowledge within the owner corporation along with the key duties performed by each actor. It clearly shows a variety of owners making up the owner corporation. The committee of management as outlined earlier is the functioning board within the owner corporation. Unlike Warnken et al.'s (2005) work, residential building managers and real estate agents are depicted as one rental agent looking after both short and long term rentals. As with residential building managers, they may be located on site or elsewhere. The focus is on the owner corporation duties and their choice of how they fulfil those duties. On whether they use an outsourced contract based

² The approach was based on positivist agency research and similar to Jensen's (1983; Fama & Jensen 1983; Jensen & Meckling 1976) work in which principal-agent relationships are identified and mapped using conflicting interest groupings leading to self-interested governance mechanisms. The agency referenced costs include the costs of monitoring where the principal attempts to monitor an agent's behaviour. When the costs of monitoring becomes too high, then focus shifts to metering the outcomes of the agent's action, as in outcome based contractual mechanisms (Sharma 1997).

mechanism to employ a strata manager, or self-manage those duties, as entitled to do under legislation. Indeed Strata Australia (2011) report that approximately 70% of all strata titled property complexes are smaller self-managed ones, an issue not previously discussed within Australian literature.

Figure 4 depicts some of the other external relationships, such as the developer who closely influences structure. The place of banks and insurance agents is shown in relation to the strata manager. Banks and insurance agencies provide kickbacks to strata management companies for using their services. These issues are discussed in detail at industry conventions. The strata manager is there to assist the committee of management to function. This is a similar relationship reported by other non-profit organisations where the expertise of a contracted in CEO is there to support the board's effective functioning. I have not delved deeply into the relationship between real estate agents and strata managers. These are discussed in other literature. Foldvary (2006) for example discusses agency within real estate industry. Sherry (2009; 2010) discusses possible real estate-developer relationships in the Australian context. Figure 4 shows a dense arrangement of contractual obligations carried out between the committee of management, the strata manager where engaged and the duties performed by both parties. Yet it is this relationship that the literature is most

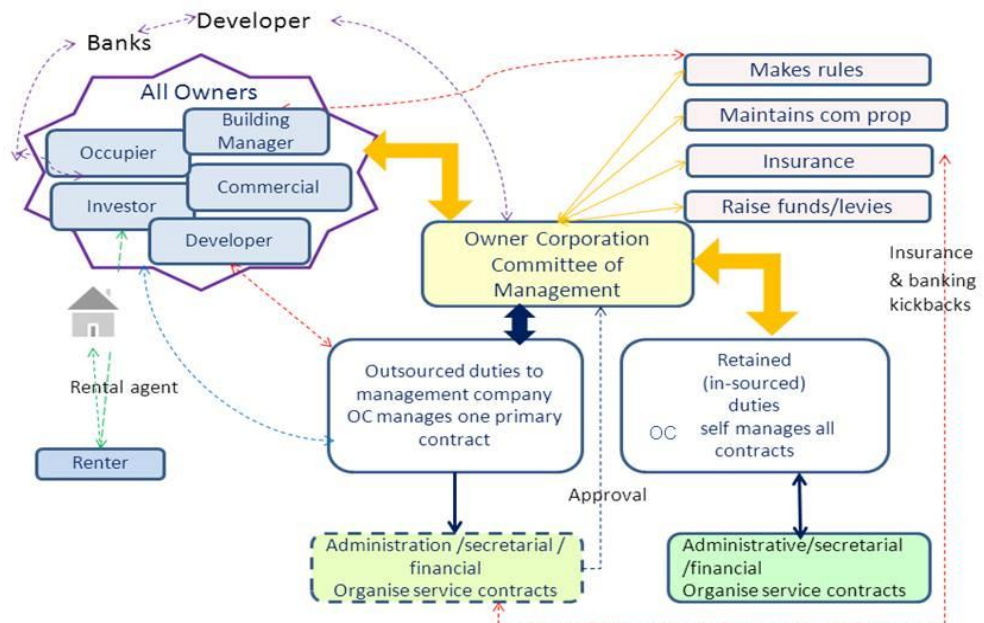


Figure 4 How the owner corporation interacts with stakeholders

silent about. Again I question how do stakeholders interact to impact governance with the particular emphasis on the interaction between strata managers and the committee of management?

Of course there are limitations to Figure 4. It does not, for example, provide a full picture of all stakeholders. There needs to be a balance between the wider picture and the detail. It does not provide detail about particular processes. For example the Australian Taxation Office (ATO), a key stakeholder is not shown in Figure 4 whereas Warken and Gilding (2005) refer to the ATO as a stakeholder, but do not explain their relationship to the owner corporation. The ATO, as Australia's principal revenue collection agency determines whether owner corporation finances are exempt.

2.4 Corporation differences

Corporations holding non-profit status for Goods and Services Tax (GST) registration purposes with the ATO, are eligible for the higher \$150,000 threshold where they do not intend to distribute any non-mutual income. ATO ruling IT 2505 was provided in 1989 to clarify the tax treatment of income of owner corporations as constituted under the various state and territory laws (ATO 1986) This ruling

took the view that owner corporation income from its members (typically strata levies) was mutual income and therefore not taxable in the hands of the owner corporation. However income derived from common property (e.g. parking, gym hire) was a taxable event though it was used solely for the upkeep of common areas. The ruling applied the principles of mutuality and determined that non-mutual income is taxable in the hands of individual members or lot owners rather than the owner corporation itself, creating a tax burden for many owners who may remain unaware of the ATO's reportable requirements.

The ruling essentially means that even though profits may never be distributed to the owners, the owners are still required to declare non mutual income generated from belonging to the owner corporation. This inconsistency comes about because 'relevant state and territory legislation provides that a body corporate can make distributions to its proprietors in certain circumstances' contrary to TD 93/73 (www.ato.gov.au/rulings accessed 11/4/2011).

The effect of the ruling is to require larger owner corporations to provide an annual income statement to each member for their use in end of year financial statements. The owner is then required to declare their share of the net income for taxation purposes, regardless of whether there has been any actual distribution. The ruling is of particular concern to those owners who have bought into owner corporations such as retirement villages and who are on fixed incomes and reliant on pensions, as they need to declare this income, even though it remains within the sinking funds of the owner corporation. It provides an intricate set of reporting requirements for the owner corporation, and a considerable impost on both the time and expertise of the organisation.

The ruling in relation to tax declaration are complex and because of the distribution of funds requirements may act to limit the amount of income sought by owner corporations through rental of common property to outside agents. The key element here is the distribution of non-mutual income. This may occur from time to time, when funds have been raised for a specific upgrade that does not eventuate, or when the owner corporation scheme is being wound up. The funds distributed in this way are not considered exempt from non-profit status and remain taxable against each owner's income. It is increasingly a worry for owners of strata titled

property nearing the end of its' useful life³. This is because as Easthope et al. (2013) note, the proposed introduction of demolition⁴ clauses into the legislation where enacted, will trigger the distribution of commonly held funds amongst all owners. Larger, declarable lump sum payments to individual owners will be the result.

Other factors arising out of, and affecting, the income for owners include the inability to access various low income subsidies. This situation is brought about because many invoices, such as water and electricity, are not in the individual owner's name, but remain in the name of the owner corporation with each owner paying a percentage of the quarterly statement. Though Altmann (2013) also notes that owner corporation have been excluded from key federal government subsidies for environmental sustainability upgrades.

Company law and the concept of corporation are anomalies for the owner corporation. Owner corporations do not wholly fall within the non-profit sector either, since the tax exemptions are only partial. The effect of these exemptions from normative corporation, tax law and government funding, is that effectively no requirement exists for external auditing of the organisation either in terms of financial rigorousness, operational systems or procedural fairness, despite holding increasingly large sums of community funds and being responsible for significant assets. Without this oversight how does governance work within owner corporation?

Strata managers where appointed, have a role to play as they undertake the administrative, secretarial and financial duties on behalf of all owners. The complexity of financial relations differs in company and non-profit law. Taxation issues create a complex system that strata managers may be asked to advise on and administer. The myriad relations between the many different stakeholders create complex relationships for both the strata manager and the committee of management leading to the question of how owner corporations govern within such complex systems?

The role of the strata manager under such circumstances should become a key stabilising factor for committees of management, not only because of their

³ See Johnston and Reid (2013) for a full discussion of life cycle costing relevant to the strata industry.

⁴ Demolition clauses are currently under consideration in New South Wales. The introduction would allow owners to vote to demolish their building rather than continue to maintain it once it had reached the end of its' useful life. The attached owner corporation would be extinguished at the time the building was demolished.

specialised knowledge but also because their role may provide continuity within which history of the owner corporation resides. Johnson and Scolley (2001) state that personnel changes concurrent with council elections means that the entire council membership can change from one year to the next. As a result many voluntary organisations experience little growth towards maturity or fully functioning teams (Weiss 1993). External pressure can be brought to bear on some non-profit boards to function effectively through the withholding of government funding. This type of external pressure is missing from the owner corporation environment at present.

Saidel and Harlan (1998, p. 224) report that most non-profit organisations apply patterns of governance in which governance challenges are met by the organisation's executive staff as well as the board. Leading the board is a central role for non-profit executive officers and the CEO (Drucker 1990; see also Fletcher 1992). The executive or manager's role then is to guide the board into appropriate decision making where boards lack expertise (Miller 2002). Within the owner corporation environment, the committee of management consisting of real property owners acts as the board, whereas the strata manager takes the role of top management or executive through an outsourced, contract based mechanism. Muetzelfeldt (1998) reported that contract mechanisms within the non-profit sector had had considerable impact for Australian organisations. Adversarial tendering processes are commonplace within the non-profit sector as is increasing reliance on outside 'specialist knowledge'.

It remains the duty of the committee of management to monitor the strata manager to ensure that the interests of the owners are protected. Members or owners are more vigilant in monitoring their interests and the interests of the organisation (Mwenja & Lewis 2009). However, the literature relevant to owner corporations suggests that boards are plagued by conflict between individual needs and collective action for the good of all owners. These findings fit with Green and Griesinger's (1996) view that non-profit board members have difficulty in clearly identifying who they are accountable to and sometimes suggest that they are accountable to themselves. The outcome is poor trust levels and lower participation rates leading to lower governance outcomes. Low levels of trust and participation leading to lower governance outcomes have been identified within owner corporation (Blandy 2010; Goodman & Douglas 2010; McKenzie 1996).

Bebbington and Gray (2005) find it difficult to define measures of accountability and transparency within non-profit organisations though they play an important part.

2.5 Complex relationship systems - Social cohesion and gaining consensus

Scholars of urban life have generally agreed on the need for social ties in producing viable communities and organisational forms (Browning et al. 2000). This is in line with Lefebvre's (2000, p. 40) belief that engagement with the physical urban space is understood through subjective experiences. Many neighbourhood renewal projects, whether organic or government sponsored, rely on these ties to facilitate shared aims and outcomes (Robertson et al. 2008). Within co-ownership schemes, people with like-minded ideology are more likely to come together to create a built community with agreed values. Gated communities, including vertically gated apartments, are bound together by fear of external forces (Brunn 2006) and characterised physically by separation barriers such as walls, fences and or other intimidating barriers from adjacent freehold property. Access is limited not only to the residences, but to the streetscape and neighbourhood amenities (Vesselinov & Le Goix 2009). In both instances, behavioural differences between owners may be much less visible to begin with. However, ownership is reliant on agreed transfer of purchase funds. Therefore the only bond between owners is that of financial capacity. Thus differences between owners may be greater, leading to situations of conflict between owners where common property is concerned. This in turn gives rise to the idea that 'all organisations are crucibles of political life' (Clegg et al. 2006, p. 3) in which members struggle to impose their own views.

The dual nature of owner roles (individual and collective) in developments is inherently problematic (Blandy 2010). Conflict may occur between residents, management companies and individual owners, caused by lack of engagement or by the heavy handed enforcement of covenants (McKenzie 2010). There is no guarantee of fairness, equity or transparency in relation to the election of members to the committee of management, thus jeopardising accountability. The failure of legal systems and disinterest of owners can have a direct bearing on the physical condition of strata complexes. Where there is no active or informed management in place, Robertson (2010) reports that management by crisis may occur and be activated by leaking roofs or structural collapse leading to sudden financial issues

for the corporation and thus the owners. Resident involvement in the owner corporation is necessary to ensure residents do not feel 'impotent, anomic and isolated' within their neighbourhoods (Bounds 2010, p. 151).

Likewise, gaining consensus to implement rules of behaviour within the complex may be onerous and lead to opposing factions and conflict. In commenting on suburban life, Baumgartner (1988, p. 153) observes how tensions are minimised when people are able to avoid each other. 'Barking dogs, disorderly children, untended yards and perceived insults and encroachments are a part of life' he states. These matters are mundane and trivial yet are consequential to the people involved. Within the closer confines of strata titled dwellings, these issues may well manifest and fester due to the lack of physical distance.

The building of social cohesion may form a key, yet unidentified, concept within the owner corporation arsenal of organisational tools. Bounds (2010, p. 147) asserts that social bonds and trust amongst residents within apartment buildings may be strong despite deteriorating physical structures. This is in line with Gan's (1962) study of urban villagers where apartment or flat living was described in some depth. However Baumgartner's (1988) study of suburban life found that class structure impacted on the way people behaved during periods of conflict and how they settled disputes. In essence, individuals from low socio economic backgrounds and youths tended to be more open and aggressive in situations of conflict whereas middle class individuals tended to move away rather than face open conflict with neighbours. The middle class tended to engage in payback at a later date, Baumgartner asserts. Committee members engaging in pay back mechanisms make decision making difficult. Such actions may also limit the number of people willing to stand for volunteer positions within the owner corporation. Wilson (1996) recognised that urban social networks impact on local problem behaviour, depending upon the level of neighbourhood cohesion and informal social control.

Collective management by residents may be simpler in smaller developments but can lead to extremely bitter and personal disputes between owners who continue to live in close proximity. Regardless of the development type, disputes over the implementation of rules, which seem petty to some owners and tenants, may impact severely on the enjoyment of space. Butler-Bowden and Pickett's (2007, p. 69) historical research of apartment dwellings in the Australian context capture this sentiment succinctly in quoting a resident's experience 'as like living with a nasty old lady, not allowed to sunbathe in the garden or wear bathers'.

McKenzie (1996) reports that government has turned a blind eye to the high level of conflict and litigation emanating from strata title conflicts. Within Victoria, the Victorian Civil and Administrative Tribunal (VCAT) has now set up a separate strata hearing list to hear and adjudicate issues arising between the various players. While individual owners cannot afford the high legal costs of representation, associations can tap into the common purse and raise levies among owners to cover costs. This may see an owner paying a proportion of a legal defence in which they are the appellant in addition to their own costs, creating a higher financial burden for owners, and increasing the amount of stress associated with unresolved disputes.

The collectivist style of living may be at odds with a western culture based on individualism. For instance, Holt (1971, p. 28) found that

‘when four or five hundred people and some animals live on 3 – 10 acres the area becomes congested. If there were no rules then the area would soon become a slum, with each person contributing. Soon discriminating people would refuse to live there, the property would deteriorate and affect sale price’.

The levels of density outlined by Holt have increasingly been surpassed with the flow of time creating a greater propensity for conflict. Skifter Andersen (2011) reports that renters have greater flexibility than owners in moving when they are unhappy with their accommodation. Industry professionals report high investor components for strata complexes. Absentee landlords tend to do business at arm’s length, through real estate agents and professionals.

Blandy (2010; see also Manzi & Smith-Blowers 2006; McKenzie 1998) notes high levels of conflict within the organisation. This is not surprising after considering the infringement of democratic rights noted by Glasze (2006b), the effects of place marketing to consumers without mentioning that they are joining an organisation, or the costs associated with maintaining private communal assets. These findings are relevant to this research project in several respects. First, collectivist management styles rely on social cohesion built on similar values. I note that Bagaeen and Uduku (2010) find that there is a long history of collective living in non-western countries that does not appear problematic. Where it is lacking there is the possibility for greater conflict within the owner corporation and organisational goals are less likely to be achieved. Second, the failure of collectivist management

may lead to significantly poorer building outcomes as physical building issues are not actioned. Third, the lack of social cohesion may extend beyond the owner corporation and into the wider community. There is a need for neighbourhood communities to have settled residents willing to take part in local activities. Yet the literature reports that there is a tendency for people, particularly middle class people and tenants to move away where situations of conflict exist.

Gated communities in particular are considered exclusionary with Gottdiener and Hutchinson (2000) stating that security measures increase privacy while at the same time destroy ties to neighbours and therefore community cohesion. This lack of community cohesion is noted by a number of authors (Blandy & Lister 2006; see also Manzi & Smith-Blowers 2006). The advent of public-partnerships as described by Blandy and Lister (2006) and government implementation of 'affordable housing' strategies may create situations in which owner corporations are terrorised by social housing within private complexes.

Gating can be seen as segregating not only along economic lines of the "haves and have-nots", but also in terms of age or generational segregation. For example Cardew (1970) reported on the inclusion of children's playgrounds and roof gardens as necessary to attract families. The inclusion of specific services such as play grounds and movie theatres create the need for greater expertise in running strata complexes and are therefore more likely to lead to outsourced management. Moreover, Webster and Glaze (2006) raises the issue of place marketing, which may lead to racial segregation. Certainly Low (2003) believes that those earmarked as not 'belonging' are easily visible and monitored closely connecting these aspects to Baumgartner's (1988) suburban work.

Growing feelings of insecurity can be met through gated communities. Such feelings of insecurity have grown since the 9/11 terrorist attack in the USA, while in many countries experiencing high levels of migration and refugee influx, fear of 'other' has grown. This fear has been spurred on by media scandalisation (Brunn 2006). The unease created by these fears, combined with a lack of democratic oversight normally found within government organisations, creates opportunities for individuals to engage in self-seeking behaviour rather than in collective action for the good of all owners and the organisation (Glasze 2006a).

Conversely Bounds (2010, p. 145) states that satisfaction can be high among residents in multi-owned developments, and is dependent on the residents' needs

for different forms of housing at different times throughout a person's life. This suggests that if a mismatch between needs and dwelling type arises then dissatisfaction will occur. Other academics disagree. Feng's (2008) research indicates that it is not unusual for new resident committees to face multiple serious problems involving developers, local government, property firms and home owners stating that the overall amenity of the building and how well it is run, is a crucial point in resident satisfaction, rather than housing mismatch. Feng's research focuses attention on organisational and maintenance issues. Cheshire et al. (2009) indicate that in master planned communities, the developers' privatised forms of governance may require local residents to voluntarily maintain aesthetic standards. Over time, this too may become a source of increased dissatisfaction since owners are likely to want to make and re-make their homes (Leonard, Perkins & Thorn 2004). The ability for owners to personalise their homes is a key element of home ownership (Skifter Andersen, 2011). McKenzie (2006a), in particular, sees the high conflict incidence between owners, residents and owner corporation boards as a central aspect of untrained, unpaid volunteer boards carrying out what are in effect local government functions of finance and asset maintenance.

Bounds (2010) observes that many residents experience failure with their first encounter at strata living, discouraging them from further attempts. Skifter Andersen (2011) reported similar findings in relation to community housing schemes in Denmark. Baldassare's (1982) study found that resident satisfaction within strata developments relates to a resident's sense of control over the management of their dwelling. Yet the nature of belonging to an organisation makes individual control difficult, and may be why control over maintenance and repairs, and the ability to save on costs by undertaking work oneself was an important factor in the desire to own a detached dwelling in Skifter Andersen's (2011) study. These resources are curtailed for strata property owners.

2.6 The emergence of property or strata managers

While much of the discussion in the United Kingdom and the United States of America centres around issues of democracy, governance, collective action and citizens' rights, in other cultural contexts the issues vary. For instance, in the Chinese context, Webster, Wu and Zhao (2006, p. 158) recognise that 'most

estate-based housing is therefore contractually managed rather than politically governed ... (and) renders the distinction between high end gated communities and median income housing estates less fundamental than in many countries'. Wu (2005) for example, comments that in China, neighbourhoods organised by non-state agencies have been a norm. Many of the factories and other work organisations were formed with housing attached, facilitating collective local management (Webster et al. 2006). Pie (1998) asserted almost two decades ago that governance and managerial functions associated with property owner corporations are contracted to entrepreneurial management firms within free market economies. This observation illustrates the early emergence of a new profession, that of the property or strata manager. Property managers (called strata managers or building managers in different jurisdictions) may assist the organisation to function and meet legislated duties. According to Lei and Van der Merwe (2009) the strata manager fulfils three key functions: administrative; secretarial; and financial. They are employed to oversee various aspects of the organisation, without actually taking on the role of building manager, or in Gilding's (2010) Queensland sense, property manager.

Lin (2002 in Chen & Webster 2006a) commenting on Taiwan's approach, notes that strata management companies have primarily been associated with larger commercial property management companies and real estate agencies. Chen and Webster (2006a, pp. 26-28) see a parallel growth between property management companies and number of owner corporation, noting that strata management companies have become a multi-product industry overseeing a range of private governance functions. As the industry has developed, Chen and Webster (2006a) note that property managers are moving into new territories of community role, a role not solely limited to the provision of property maintenance, but one that offers a holistic approach to organisational needs. Guo (1999 in Chen & Webster 2006a) note that around 70% of Taiwan's complexes are administered by property agents.

As Blandy (2010) comments, developers may appoint property management companies to assist owner corporations. Blandy's point is that this places the developer in a privileged position where there is a predefined association between the developer and the property management company. In addition, it also places the property manager in a privileged position where the appointment of additional service contracts are required (Sherry, 2010; Chen & Webster 2006b). The establishment of service contracts with suppliers that provide trailing fees, as with

insurance products, means that conflict of interest situations may also occur at both property manager and developer level. In countries where payoffs are required in order to manage the complex, these transaction types may be considered a cost of doing business. However within western societies, conflict of interest situations are considered to lack accountability, particularly where under-the-counter payoffs take place.

It is timely to comment on Lin's (2002 in Chen & Webster 2006a) statement that property management companies may also provide risk mitigation in the form of hazard migration from natural disasters. Between 2011 and 2012 sections of northern Australia were battered by a series of natural disasters. Those areas most devastated were also areas of high population and numerous strata developments in the form of apartments. While early government enquires were announced into disaster management and insurance issues, the enquiry has been extended to explore an 800% hike in insurance premiums for strata titled property (Shaw n.d). This would not have occurred without persistent lobbying from organised property management associations (Strata Australia 2011).

The emergence of industry associations specific to property management professionals has not been seen as an integral part of the strata property system to date. Douglas et al. (2008) and Sherry (2009) comment from a legislative viewpoint within the Australian context. Randolph and Easthope (2011) provide quantitative research into the growth of the strata industry within the New South Wales context. Property management companies and their professional associations are keen to extend their sphere of influence with owner corporations. As Shui (2001 in Chen & Webster 2006a) notes, the use of external property managers may lower the costs of governance for owner corporations because they are able to access, for example, legal advice through economies of scale. However such advice is rarely given impartially. It puts the property manager's needs first. McKenzie (1996) and Forrest et al. (2002) note that lawyers engaged directly by owner corporations may be just as self-serving. The range of personal and contractual relationships that owner corporations administer are complex, increasing situations where conflict, and conflict-of-interest may occur. With low participation rates within owner corporations, considerable power is given to building and strata managers and their professional associations.

Owner corporations then are at the mercy of rent-seeking behaviour from building and strata management companies as well as developers. The organisation that is

supposed to assist home owners to interact smoothly may be constrained by those who are engaged to assist them to manage. In addition to the four types of developer's influence outlined by Glasze's (2006a) and Clarke's (2006) research, owner corporations may be adversely affected by two types of strata manager influence: (1) that of self-seeking opportunism in contractual relationships; or (2) where property managers own caretaker property within complexes and have a legitimate role as owner. The range of influences at so many different levels may have significant impact on the lived experience of home within strata titled property environments. Guiding et al. (2005; see also Warnken & Guiding 2009; Warnken et al. 2005) has written extensively in this area. The experience they describe is Queensland based, and an indication of the mature tourism industry along the Gold and Sunshine coasts which is heavily reliant on on-site residential managers, who purchase the right to on-site management. The ability of the residential building manager to influence letting and sub-letting practices within a particular building is therefore not a significant feature of other jurisdictions, though highly relevant to the Queensland context and its impact on governance issues generally. It is also feature of that market not seen in other jurisdictions to the same extent. Building managers do not take the place of strata managers in terms of administrative, secretarial and financial duties in any case. In Queensland, though a residential building manager is engaged, a strata manager is also engaged because the duties that each party performs are different.

Increasingly it is the strata manager, an outsourced position, that becomes responsible for maintaining cohesion between owners and tenants within the governance framework. There is a link between the provision of otherwise unconnected residents to the vital role of a 'the strata manager as actor', able to bridge diverse groups of stakeholders to provide the development basis for broad-based trust and solidarity (Granovetter 1973; Suttles 1968). Given the propensity for some sections of society to fail in negotiating an outcome, the ability to appeal to a strata manager to enforce rules and act as a champion is enticing for both large and small complexes. Butcher and Clarke (2006) maintain that behaviour is central in balancing both diversity and cohesion of agenda and self-interest and civic virtue. Leadership involves the exercise of power in the pursuit of direction that is meaningful for others to follow (Horner-Long & Schoenberg 2002; see also Leach & Wilson 2000).

Neighbourhood disputes within the environment over usage, noise, and the like are often left to the strata manager to adjudicate. Often these disputes rely on case law or owner corporation rulings. Moreover it is the strata manager, a contracted expert, who is most likely to understand where the boundaries exist between private strata unit and communal land. Engaging a strata manager places considerable power (through the contracted right to manage) in the hands of an expert who may have his or her own agenda. The engagement of an external strata manager constitutes a key area of outsourcing with its attendant contractual risks. In engaging a strata manager, there is an assumption of contracted-in expertise and professionalism, which may not necessarily exist in practice. Professionalism implies appropriate credentials often seen as a prerequisite for such recognition (Gale & Austin 2003; see also Lait & Wallace 2002; Prasad & Prasad 1994). Yet the appointment of strata managers is unregulated in most states. New South Wales and Victoria have introduced voluntary Certificate IV qualifications (Strata Australia 2012) as a minimum standard for strata managers. Belonging to industry networking groups may create a formidable lobbying group. However it is not necessarily a guarantee of professionalism or appropriate leadership for an owner corporation.

Davis (1995) reports that despite the many virtues of the single family home it is environmentally unsustainable. The push for infill housing and higher density living has its roots in the 1970's (Goldberg & Smith 1989). Bardsley-Smith and Smith (1988) indicate that there would be a change to our neighbourhoods with the cost of lifts and fire installations not effective in 4-7 story buildings. Therefore buildings of less than 3 stories or more than 8 would more likely be built, leading to significant change to the character of neighbourhoods, and the type of developer attracted to inner city housing construction. It also moves the focus of housing construction from single story, domestic construction to more complex commercial construction. Within the Building Code of Australia, this manifests as a change from a Class 1a construction to a Class 6 construction. There are significant differences in the capabilities required to manage physical aspects of building maintenance that result from the change in building code classification. For example annual inspections by certified engineers are required in relation to Electronic Warning Information Systems (EWIS) within Class 6 buildings whereas there is no inspection regime for domestic Class 1a buildings. There are also significant differences between the domestic and commercial lifespans of the buildings, with commercial buildings generally demolished within a 30 to 50 year

time frame. Local councils and state governments have long championed the medium to high density development of suburbs, and have a significant power base in shaping the city through planning schemes. The increase in dwelling density provides additional sources of income for councils. Denser populations mean more funding at state and federal levels, though councils also reap significant income from development application fees and increased rates volume. Councils and developers therefore have much in common with the construction industry in lobbying for a more compact, higher density city. Together they form a considerable power base.

Indeed the Master Builders Association (MBA 2011) states that it liaises regularly with Treasury, the Reserve Bank of Australia and the Australian Taxation Office as part of its advocacy for members. This is in line with Clegg et al.'s (2006) view that economics and politics combine to form a key basis of legitimate power with history being written by the victors. Jacobs (2002, p. 102) sees 'urban environments as sites of contestation in which powerful interest groups compete to impose a policy agenda broadly commensurate with their interests'. The strata industry, with a growing economic profile also lobbies on behalf of its members who are limited to professional strata managers (Strata Australia July 2011). While McKenzie (1998) reports that developers with their significant financial power, through (permit) fees, are able to shape policy at local government level, it is clear that in Australia the strata industry also has a presence at a national level. The power of developers as a lobby group can be demonstrated through the increased National Broadband Network (NBN) spend escalating from an estimated \$43 billion over eight years in 2009 (9 April 2009) to a further increase in July 2010 of \$38 billion as part of the Broadband Network Guarantee (DBCDE, May 2010) in order to pay for the additional costs associated with retrofitting strata titled residential buildings for broadband connection. Strata Australia (2011) reports that strata managers have facilitated access to specific building complexes for the NBN rollout.

There is synchronicity of works performed by the construction and strata industry. By this I mean developers employ architects, engineers and surveyors to design strata titled complexes, builders construct the complexes for the developer and to his or her specifications. Owners purchase into strata complexes and acquire an interest in the common property, and strata managers assist owners to manage and maintain the common property by engaging construction workers, engineers and building surveyors to monitor, repair and upgrade those properties. Where

properties are poorly constructed, monitored, maintained and upgraded, they lose appeal for the owner and become ripe for redevelopment, once again playing into the hands of the developer. 'As power shifts so do the truths that are held to be self-evident' (Clegg et al. 2006, p. 231). Thus structure influences owner governance. There may be a conflict of interest between the strata manager and the owners of the property who employ them and both these groups and the broader construction industry's needs.

Research undertaken by academics based at the University of New South Wales City Futures (2011) indicates that a large proportion of Strata Managers believe that some existing complexes have reached the end of their useful life and are ready for demolition. Strata managers also suggested that acceptable terms for demolition of strata buildings should occur on an 80% owner agreement basis. This view is in line with the Owner Corporation of Victoria (OCV 2010) policy statement. Demolition of strata titled buildings without all owners' consent, leaving a building site suitable for future re-development, has already been enacted in Hong Kong (Nissim 2008; Yip 2010) though with more stringent vote allocation and stringent appeal processes. Commercial buildings such as strata titled complexes have defined life spans. Developers, the construction industry and strata managers all have a vested interest in the demolition and redevelopment of existing smaller strata titled complexes since it creates higher yields and profits for these groups. It remains to be seen whether owner-occupiers, owner-landlords and tenants will benefit. The combined power of the construction and strata industries represents a formidable political lobbying group with direct impact on the economy. Their political manoeuvring and power plays may also impact on how legislation is framed.

I have already argued that there is minimal research into the relationship between strata managers and the owner corporation and their managing committee. The research undertaken has largely been confined to Queensland and to a lesser extent New South Wales. However no examination of the relationship between strata managers and the committee of management has occurred within the Australian setting. As such there is a dearth of academic literature in this area, particularly qualitative research that relates to other states such as Victoria.

2.7 Contract management for owner corporation

The ties between owners within an owner corporation are normally seen within the bounds of contractual relationships. 'The expansion of contractual relations presupposes the development of norms which govern contract; all contracts are regulated by definite prescriptions' (Durkheim 1982 in Giddens, 1971, p. 7). However, when a prospective purchaser buys into a strata title complex it is not always made immediately obvious that he or she is entering into any type of relationship with other owners through the owner corporation. Because of the contractual nature of this organisation and the fact that it is seen as a fourth layer of governance, both public and private sector outsourcing becomes relevant to the owner corporation environment. Certainly, as noted earlier, owners are contractually bound to each other when they first purchase into a strata complex. Key to the success of the contracts is the organisational type that owner corporations belong to. Owner corporations are selective. Only property owners within the complex belong to the organisation and for them it is mandatory. Yet the time and expertise they bring to the organisation is of a voluntary nature. In particular their understanding of contractual mechanisms, conflict of interest, transparency and accountability becomes crucial to the wellbeing of the owners and the owner corporation.

Throughout this thesis, the term 'sourcing' refers to the strategy of how goods, services and expertise are gained through contractual mechanisms, whether internal or external. Beaumont and Sohal's (2004, p. 689-690) definition appears to be applicable across a number of disciplines and is the one used in this thesis:

'applying outsourcing's discipline to internal suppliers, often having them compete with external suppliers'.

For the purposes of this thesis, engaging a strata manager is an act of outsourcing or contracting out, whereas when the committee of management undertakes their duties without the assistance of a strata manager, the organisation has insourced the administrative, secretarial and financial duties.

Hodge (1996, p. 32) notes that 'politically, there is no doubt that contracting-out can represent an opportunity to reduce the level of services offered to the community'. He also suggests that 'contracts had the possibility of corruption

affecting democratic processes' (Hodge, 1996, p. 33). Kobrak (1995; Schneider 1992) concurs with this view stating that corruption was almost inevitable in outsourced environments and that contract mechanisms had the potential to affect economic, social, democratic, political and legal performance. Economic gains diminished over time in any case, since most contracts failed to protect the client from rising costs through the term of the contract (Holcombe 1991). Moreover Hodge (1996; Paddon 1991) found that cost savings were often diminished through the creation of internal departments designed to administer tendering and contract oversight. Sherry (2010) alludes to this as a form of corruption in relation to building maintenance services but does not apply such thinking to the administrative services supplied by strata managers. These are key issues for smaller organisations such as owner corporations that engage in outsourced contract based mechanisms because although they are unable to undertake all the work themselves as volunteers, they are still responsible in law for the functioning of the owner corporation. The contractual soundness, issues of efficiency and effectiveness of contracts and their contractual relationship with their strata manager are important issues for the owner corporation to consider.

De Souza (OCV 2011) states that there is an increasing tendency for strata managers to create efficiencies by devolving work-types to departments designed to administer specific aspects of strata management. For Paddon (1991) efficiency gains of outsourcing are smaller than those claimed when additional costs such as managing the tendering, appointment and monitoring of contracts are taken into account. Clegg et al. (2006, p. 7), on the other hand, define efficiency as 'achieving some predetermined end at the highest output in terms of the least input of resources. The concept of efficiency, defined in this way is constructed to slice off the value dimension'. Effectiveness is often diminished as a result and it is the effectiveness of contractual outcomes that the owners witness and live with on a daily basis. Devolving work types into specific segments exhibits elements of Taylorist⁵ time and motion studies, founded on increasing profit or the power of money at the expense of humanised workforces, and does not necessarily lead to

⁵ Time and motion is the scientific study of the efficient use of resources. Frederick W. Taylor is regarded as the "father of scientific management." It consists of a wide variety of procedures for determining the amount of time required, under certain standard conditions of measurement, for tasks involving some human activity. Motion study were developed by Frank B. Gilbreth and Lillian M. Gilbreth and consist of a wide variety of procedures for the description, systematic analysis, and means of improving work methods. It is difficult to separate these two aspects completely. Therefore, the combined term usually refers to all three phases of the activity: method determination, time appraisal, and development of material for the application of these data.

effective management for the contractual partners. In this context effectiveness can be defined as 'doing the right things, or completing activities so that organisational goals are attained' (Robbins et al. 2009, p. 10). This definition of effectiveness places the emphasis on the organisational goal to be achieved whereas efficiency may be achieved without the end goal of providing service to the owner corporation being reached. Moreover Canez, Platt and Probert (2000) in their case studies found that failing to understand core competencies could result in greater costs. Paddon and Thanki (1995; Walker & Walker 2002) believe that costs savings occur at the expense of quality reductions as corners are cut and conditions deteriorate. However Clegg et al. (2005, pp. 47-48) counteracted this statement and found that while short term costs increased during the transition period, contracting out led to cost efficiencies within property maintenance services, and increased service levels in reliability and quality, indicating that effectiveness was achieved. This is important since many of the contracts set up by the strata managers on behalf of the committee of management include maintenance, gardening and cleaning services.

Domberger (1993) concluded that most contracts include financial penalties to assist in ensuring that contract specifications are met. However, for owner corporations reliant on untrained volunteer labour there is little evidence of capability when negotiating or supervising contracts. Moreover, the current power plays within industry allow for the strata industry to devise and mandate use of contracts designed for the protection of strata management companies. This is akin to the pre 1996 construction industry, and prior to the introduction of major and minor works (AS 4305-1996) contracts in which consumer rights were recognised through penalty clauses. However since the introduction of Australian standard contracts for construction and maintenance, the law has since swung back to favour building and construction interests, in the form of 'security of payment' legislation enacted in some states. The power, centred in contractual conflict of interest

'cannot become treated as a problematic component of divergent group interests embodied in social action since conflict of interest relates to the purposes of individual actors and the interest of the collectivity' (Giddens 1993, p. 104).

In essence, contracts need to be supervised throughout their life rather than relying on the profit driven motives of one party to do the right thing. Blandy (2010) cites

the case of *Eltham Properties Limited v Kenny* (LRX/161/2006) (England) which showed the cavalier attitudes of some managing agents to their owners in making elderly residents inspect the estimates for work to their apartment blocks at the managing agents address some 10 miles away. Blandy states that this ploy is common and rarely challenged by owners or their committees of management. What these ploys ensure is that minimal oversight of contracts is enacted by the owner corporation.

In referring to facilities management, an area often outsourced by owner corporations, Clegg, Burdon and Nikolova (2005) state that outsourcing produces much better data and management of that data, leading to better preventative maintenance for property. The technical aspects of ongoing property maintenance and upgrade should not be underestimated as it can have key repercussions for owners seeking to maintain the value of their property over time, with failure to manage maintenance, upgrades and funding playing into the hands of developers seeking demolition opportunities.

Easthope, Hudson and Tice (2013) talk up the need for demolition of older tower configurations in order to make way for larger housing estates needed to alleviate a lack of affordable housing. Kenna and Stevenson (2010) provide detailed accounts of the high cost of maintenance and how owners and committees of management negotiate high future maintenance costs through sinking funds, with the possibility raised that many community based assets such as roads and parks may revert back to council in the long term because of lack of planned maintenance funds (sinking fund deficits). However it is Johnston and Reid (2013) that provide a model for decision making around the trigger points for major upgrades, demolition and total life cycle costing which may be jeopardised by poor maintenance and financial planning regimes early in the building's life cycle. While it is ultimately the owner corporation through the committee of management that has responsibility for such matters, the strata manager has a role to play as an expert in the field.

In viewing property ownership strategically within the Dutch social housing sector, Van Moussel and Staub (2007) report that 'a closer connection is needed between the function of procuring of technical management services and the strategic level of the organisation'. Canez et al. (2000, p. 1323) found that all decision making was enhanced when strategic decision methods were applied. In their study, company A achieved cost savings of 30% by insourcing. Company C also

achieved cost savings by applying the same strategies to their decision making process, even though it was not the primary trigger for their decision. The main trigger was the need to focus on core competencies and the decision was to outsource non-core competencies (Canez et al. 2000). This work complements Drejer and Sorensen (2002, pp. 289 & 405) who recommend that competencies that are of high strategic importance, or that the organisation is strong are located in-house, while those that are of low strategic importance or weak organisational strengths are outsourced. Were an organisation to undergo assessment according to this criteria, then there may be a need to change sourcing arrangements and this is akin to Pouder and Clarke's (2009) strategic outsourcing of contracts within a gated community. Pouder and Clark's (2009) case study of 'Bushwood', a gated community in North Carolina, identified the need for long range action on issues affecting its future success including building maintenance and attracting new owners to the complex. Bushwood used strategic planning with vision and mission statements to drive change over a significant period, and drew upon the business background of several owners and external consultants to ensure a rigorous and accountable process in forming strategic direction and implementing goals. Bajracharya and Khan's (2010) research on Varsity Lakes in Queensland, Australia focused on transference of governance from the developer's realm to the organisation, based on the developer's ability to engender trust, community activism and support, within a new master planned community. Through engagement of this type, the developer obliquely acknowledges the high cost of infrastructure upkeep required by the ongoing community. The focus of strategic management is on a systematic analysis of the internal and external environment (Porter 1980). To build capacity and knowledge, organisations must be able to look objectively at their strengths and weaknesses. It is significant that so few owner corporation appear to place emphasis on long range strategic planning. This may be a reflection on the participation rates, transience rates, sense of belonging, training, knowledge and volunteer nature of the organisation. Brown and Harvey (2006) see capacity building and strategic direction as essential management tools, as do others.

Drejer and Sorensen (2002, p. 405) recommend that competencies that are of high strategic importance or that the organisation is strong in are located in-house, while those that are of low strategic importance or weak organisational strengths are contracted out. Accessing the correct competencies is therefore more important

than where they are sourced from. As the composition of owner corporation membership changes, new skill-sets are accessed, and capacity may grow (Beaumont & Sohal 2004, p. 697). Beaumont and Sohal rated fourteen possible reasons for retaining internal sourcing arrangements and found that among those listed the highest concerns were around levels of control, cost and confidentiality issues. Moreover, when contracting from internal sources, there is a lower risk of litigation. Depending on the organisational culture and the contracts, key performance indicators may be either easier or harder to enforce. The literature in this area stems mainly from building capacity within the commercial environment which may be difficult for voluntary organisations to grasp. Roberts (2000) suggests that trust is a necessary precondition for sharing and mutual understanding as well as for the transfer of knowledge whereas previously it was noted that trust is often lacking in the owner corporation environment.

For owner corporations, increasing capacity may be as simple as providing relevant information. Holt (1971, p. 29) recommended a newsletter for residents, and programming monthly or bimonthly meetings to bring interesting and worthwhile information to the group, advice that has largely been ignored until recently. He states that in a rising market with high occupancy rate and few vacancies, companies tend to be more negligent in their public relations. In setting their strategic direction, Pouder and Clark (2009) also touched on this form of communication but went further, organising surveys of owners and community meetings to gather ideas from all stakeholders, not just owners. Part of the outcome for the 'Bushwood' example stated above was to set up a website to disseminate information about their vision for the community. It also lifted the public profile of the complex to attract commercial opportunities for the complex, as well as lift the sale price per unit.

Organisations have the potential to manage knowledge through collaborative activity (Wenger et al. 2002). Davenport and Prusak (1998; Eisenhardt & Santos 2002) see knowledge as a source of competitive advantage. This is in line with Grant (1996) who suggests that knowledge may be integrated externally through relational networks spanning organisational boundaries. The capacity to move knowledge between strata management companies and the organisation therefore becomes important in strengthening governance within the organisation.

2.8 Conclusion

It is clear from the review of literature that developers play a major role at multiple stages of the design, construction, formation and management of the owner corporation. The structure has the power to influence the rights, responsibilities and restrictions that pertain to the property. There is a paucity of knowledge as to how an imposition of structure affects the owner corporation in terms of governance processes and procedures, or how agency is enacted by the owner corporation to achieve governance within this contractually based environment. Though there is significant knowledge about issues of governance within non-profit organisations, they have not been addressed adequately within the owner corporation environment. This is because the relationship between the decision making arm of the owner corporation (the committee of management) and the strata manager has yet to be investigated. It raises two of the three questions suggested in the introduction:

- How does the governance of organisations (owner corporations) work?
- Within owner corporations, how do strata managers and committees of management interact to impact governance?

The particular emphasis is on the interaction between strata managers and the committee of management. How this interaction might be studied and interpreted in theoretical terms is the focus of the next chapter.

Part C - Theoretical Framework

Chapter 3 - Structure, agency or both

3.0 Introduction

Part B highlighted a physical and social phenomena in the densification of our cities through a review of urban and organisational academic literature and document analysis. It focussed on how global influences combine with centres of economic and political influence to centralise power within the building and construction industries. This highlighted structural considerations at the societal level. The literature review also considered issues of agency within a community of actors. In doing so, it shifted the concept of strata development from a legal mechanism to that of an organisation. Through examination of Rule IT 2505, evidence was presented that the newly created owner corporation is a non-profit organisation. The creation of a new field of experts in the form of strata managers was also discussed. The strata managers provide the knowledge base for owners within an outsourced, contract-based environment. The organisational governance structure, processes and procedures give rise to issues of collective action, board participation, and economic and political power plays. The owner corporation is formed to give owners agency within a contractual community. Yet contracts are, by their very nature an instrument of control and an exercise in power.

Within Part C of this thesis, assumptions pertaining to the constructs of power, conflict and control are addressed. An ontological approach is outlined in relation to the research questions that accounts for these constructs. While many social approaches consider structure and/or agency and reflexivity, I draw upon Giddens's (1984; 1993) theory of structuration to situate both structure and agency within a framework that allows exploration of both enabling and constraining aspects across time and space. This chapter begins by outlining the ontological framework underpinning subsequent empirical analysis. Next an appropriate epistemology is developed. The pros and cons of a realist epistemology are investigated, with the consequence that a constructivist stance is adopted for the purposes of the present study.

Following on from this, a suitable methodological stance is identified which addresses key aspects of the issues noted throughout the present review.

3.1 Ontology - Structure and agency

3.1.1 Power and conflict

Significant emphasis has been placed on issues of structure and agency, power and how power and conflict are contested within the field of housing studies, particularly at the nexus of policy and tenant participation (Cooper & Burrell 1988; Davenport & Prusak 1998; Jacobs 1999). Low (2006; see also McKenzie 1996; Yau 2011) considered power and conflict from within the owner corporation. For Yau it is a problem of collective action as outlined by Olson (1965) and related to a rational decision making processes. Olson (1965; see also Yau 2011) suggests that owners will act when there is economic imperative to act. Both for McKenzie (1996) and Low (2003) the miniature of daily life, the conflict over small scale issues, and a less rational system of decision making is important. They tap into the emotion of home as a place of ontological security.⁶ Low (2006) in particular uses Baumgartner's (1988) work to highlight systems of payback that flourish throughout smaller communities and local governance structures. These applications of power co-exist side by side within the owner corporation. However a further view is required, that of the language of contract, for owner corporations are founded upon contractual relationships between owners at the building's inception.

Bourdieu's (1990) view of power is important here since both the written contracts between individuals and companies, and unwritten contracts between those living within the strata environment are subject to power dynamics. The different uses of language confirm the respective positions of power between individual actors. Those 'in the know' are therefore able to readily decode the norms associated with the contract environment. However for Bourdieu language is performative; it is the practical social action that links past to future and for which he coined the term 'habitus' to denote the tacit knowledge of how to continue or 'go on'. Therefore habitus becomes the internalisation of reality as well as the external moment of practice (Haugaard 2002, p. 225).

The practice of power requires dominant symbols and meaning, creating status layers within society. Language is one of the symbols incorporated and used in conjunction with 'tastes, deportment, education, residence, sports, life interests and

⁶See Dupuis and Thorns (1998) work for further details of the link between ontological security and home.

so on, all denoting membership in a particular strata of life' (Clegg 2006, p. 252). Bourdieu considers that these symbols will simultaneously impress one group while being used to suppress another group of actors as the space for power is negotiated between them. Thus power within social relations is not a fixture, but something more fluid in nature as Caincross, Clapham and Goodlad (1994) indicate in their tenant participation studies. Yet Bourdieu's work is not sufficient to explain the full range of power plays within the owner corporation. This is because for the owner corporation, many of the contractual terms are imposed within a structured setting and mandated prior to the prospective purchaser becoming involved. As Goodman and Douglas (2008) assert, developers within Victoria, downplay the role of the owner corporation during the sales process. Thus many of the contractual relations remain implicit rather than explicit to the purchaser. The contract then becomes a symbol of power that defines the rule of future engagement. Policy regimes that allow the creation of owner corporation and on-sale of individually titled units therefore become structural influences upon the owner corporation. There is a need to see power and conflict within the give and take of a structure and agency debate.

Giddens (1984, p. 257) provides a theoretical view of power as the:

'capacity to achieve outcomes... and whether or not these outcomes are connected to purely sectional interests is not germane to its definition. Power is not, as such, an obstacle to freedom or emancipation but is their very medium - although it would be foolish, of course, to ignore its constraining properties. ... The existence of power presumes structures of domination whereby power 'flows smoothly' in processes of social reproduction'.

Further, Giddens recognises that in an era of generalised reflexivity, the state should play a facilitating role, providing opportunities and conditions for people to do things for themselves (Giddens 1993, pp. 93-94). The enabling state empowers its citizens to act by providing the conditions and resources for action but does not act for them or tell them how to act. The concept of the enabling state recognises that reflexivity requires people to become active in their own lives but that the state should retain a role by means of an overall steering function, enabling people to 'make things happen'. The state does this by working with appropriate bodies, creating appropriate conditions and making resources available so that these bodies can participate in service delivery. In his later works Giddens argues that the enabling state should not be discarded, but supplemented with the notion of the

'ensuring' state (Giddens 2003, p. 13). This concept of state recognises that the state also has obligations of care and protection for citizens and some of these obligations should be provided as guarantees. Responsibilities should be shared between the state, non-government agencies and the private sector including businesses and individual citizens. Thus the role of the state, local governments, planners and industry is to provide a regulatory framework that is empowering and through which individuals act.

Giddens argues that his view of power is different to that of Parson's normative consensus and different from Foucault's positioning of power as 'prior to truth' (Clegg et al. 2006, pp. 197-201). For Giddens, power is a more ubiquitous and subtle phenomenon. Domination involves controlling and using both allocative and authoritative resources, along with power over other people's resources. The rightful exercise of power and other social actions requires legitimation by human beings as knowledgeable agents. Therefore individuals are seen as knowledgeable agents who have power to intervene and influence their surroundings and events. Thus human acts are able to contribute to the flows of power. For Giddens, all social actors have some sort of power since they have some sort of resource under their control. Otherwise they cease to be social agents.

'There is an interlacing of meaning, normative elements and power ... Awareness of such contestation, of divergent and overlapping characteristics, is an essential part of the knowing of life (Giddens 1984, pp. 28-29).

It is this central notion of the ubiquitous presence of power as a social phenomenon and its contestation that differentiates structuration theory's approach to domination and power from others. Giddens' does not believe that power is intrinsically connected to the achievement of sectional interests.

The intense period of change and economic insecurity aligned with globalisation and outsourcing is central to Giddens theories. His work therefore establishes a framework that sees an interplay between public and private institutions and individual citizens. However the 'reflexive monitoring' that exists between these groups of actors sets the scene for the contestation of power as each actor group jockey for a position of advantage and deploys resources to their best advantage. For each group of actors, the area of contestation differs since the resources and legitimisation processes differ. Investigating the power paradigm within the owner corporation framework, then, requires a focus on the interplay between actors, the

resources that they are able to muster and areas of contested space, which may give rise to resistance. Moreover the literature review established that the owner corporation is an organisation. Llewellyn's (2007) view of power is one in which human agents exercise power through organisations. She further extends this view by considering that associating and acting with others creates an aggregate of power that is greater than the sum of each of the individual actors. In this way, sectional interests are compounded within power structures: 'an organization has powers that exist at a higher stratum from that of an individual' (Llewellyn 2007, p. 134).

While Giddens (1993) believes in the duality of structure as both enabling and constraining, the compounding of sectional interests makes for a different power paradigm. Individual agents may exercise power, but they are more likely to succeed in achieving their outcome where their resources are linked into larger organisational situations and resources greater. Thus there are differences in the scale of power and conflict that Clegg et al. (2006) allude to. The owner corporation is designed to distribute power evenly (one vote per property). However the structural forces that create the organisation (developer, planning authorities and state agencies) provide the framework in which those actors are able to exercise agency throughout the life cycle of the organisation. Moreover factional interests between owners means that power relations will not always be of equal standing. Power is therefore reliant on the ability to access resources and one of those resources must remain the ability to persuade others to one point of view.

According to Hirsch and Lounsbury (1997), both Giddens (1984) and Bourdieu (1990) provide links between old and new institutionalism. That is, in considering 'habitus', Bourdieu is able to bridge the gap between new and old institutionalism, since his grand theory contains elements of both. For Bourdieu, the social work is structured around the opposing form of cultural and economic power. Giddens (1984, p. 2) on the other hand, blurs the boundaries between epistemology and ontology by linking functionalism and structuralism. His view is that in social sciences, action, meaning and subjectivity relate to ontological concerns.

Within a structure and agency view, the owner corporation exhibits both enabling and constraining forces depending on mutual knowledge, social relations and time span. Power and conflict plays erupt as reflexive monitoring of action occurs. Meaning is interpreted by different actors creating differing dynamics within the

organisation. Integrated practices and mutual knowledge create a playing field where everyone knows the rules. I move now to a discussion of specific practices and the differences and overlap between structure and agency.

3.1.2 Structure and agency

Sociological approaches are concerned with structure and agency. Giddens (1993) makes this explicit. Structural approaches place less importance on the observable phenomena and focus on the underlying economic and political forces as structure. Because this research is seeking to establish knowledge at the organisational level as well as the participant level, an ontology that reflects issues of both structure and agency accounts for the breadth of discussion. Neither Weberian research paradigms (Weber 1978) nor the Marxist structural framework used by Ball (1983), Harloe (1995) and Dunleavy (1981) for housing policy extends across the breadth of this topic. Pahl's (1975) urban managerialism perspective comes close, arguing that social and spatial constraints affect resource distribution. However, there is a need to look further afield to Bourdieu (1990) or Giddens (1984) whose theories see less tension between structure and agency. Bourdieu's (1990) theories are centred in research practice. However, Giddens (1984) structuration theory goes further, viewing structure as both enabling and constraining within time and space. Within this framework, both structure and agency retain centrality through social interaction, and this provides an opportunity to focus on the different 'leaves' of time (as Giddens calls them) that contain the formation of the organisation as well as the functioning of the organisation.

It is important to note that the global, economic and political concepts as they appear in the social world are social constructs. However the concepts of legal, organisation capacity and governance are also social constructs formed at Giddens' 'legitimation' stage. There is hesitation in invoking the words 'macro' and 'micro' to show the differentiation between levels at which these constructs function since Giddens (1984, p. 139) finds the terms limiting and often used at opposing ends of a spectrum in which conflicting points of view override each other.

This is a key differentiation from Durkheim's work which considers that 'social facts' exist separate from a person's consciousness and place restraint upon them as they undertake daily activities (Burrell & Morgan 1979)⁷. Instead Giddens refers to

⁷ For Durkheim, understanding the nature of regulated order, held together by social cement was the key focus of sociology. This is a functionalist view of reality in which the social world is

'social and system' interaction, and takes the view that one has the ability to influence the other 'structure is not to be equated as constraint but is always both constraining and enabling' (Giddens 1984, p. 25). It is not sufficient for human beings to be viewed as predictable social systems; they do not act with complete knowledge of a situation, and situations change over space and time.

Structure and institutions may provide a framework for our interaction, but they do not explain or determine our actions, interactions and experiences. There are times when individual and collective actions and reactions do collectively force change to structure. Ostrom (1990) provides some excellent examples of collective action forcing structural change. In taking this stance of less tension between structure and agency, Bourdieu's (1979; 1990) work may equally apply to this situation as Giddens does.⁸ Bourdieu (1990) views us acting with freewill within given structures. His belief is that 'habitus' or rituals embodied in everyday life enable us to produce and maintain a system of beliefs that assists us to behave appropriately within cultural confines. The 'habitus' is influenced by the structure of society, influencing behaviour, reproducing society. Where normative behaviour is disrupted there is the possibility of conflict with the new order. This conflict may be internal or external to the actor, depending on the circumstances that brought about the change in circumstances. For Bourdieu, neither structure nor agency is sufficient to explain the action of humans. Both Bourdieu and Giddens see less tension between structure and agency. Organisations are formed from a macro structural framework as well as being structures within which actors participate at the micro level and have agency within. It remains therefore important to provide reasons for selecting one theoretical framework over the other'.⁹

Bourdieu's (1990) view of capital as anything that holds value, both material and symbolic requires further consideration. Concepts of 'home' outlined earlier are relevant here. Home as a structure that provides shelter is physical - we can touch it. It takes up space, is place bound and located in time. It also has economic capital. We can sell and resell our home, and this is the foundation of the owner

composed of relatively concrete empirical artefacts and relationships which can be identified, studied and measured through scientific approaches. Unlike other functionalists however, Durkheim's work went beyond functional analysis of societies, and stipulated that causal analysis was also required to explain how artefacts originated. His earlier work therefore concerned structure, whereas his later work focussed on agency. Unlike Giddens work however, the two were not married into one cohesive theory.

⁸ See previous section in this chapter.

⁹ Parsons is a functionalist. He relates action and structure within a theoretical framework.

corporation from the developer's view. The developer wishes to participate in the economy and raise profit through the sale of individual units. But the concept of home also has emotional connotations. For instance, Giuliani (1991) sees home as a psychological state of wellbeing that is attached to a place. Home is the place in which we are most ourselves (Dupuis & Thorns 1998). Home, therefore is a form of capital for Bourdieu, since it holds material and economic value.

Place is often defined in scholarly literature as a local setting that has significance through an individual's attachment (Murphy 1991). The term 'locale' which Giddens (1984) uses, is seen as a physical setting (or place) for interaction which takes on social significance because of the way that individuals move across that setting in time and space. Region is used by Giddens in a variety of ways to denote special compartments of formal, functional and perceptual significance. It is often understood to be an umbrella term that subsumes locale and place. Giddens defines it as an institutional construction reflecting the collective history of that area and infusing the everyday lives of inhabitants. Following Giddens (1984) line of thought, owner corporations are organizations and their bureaucratic traits both influence and are influenced by the regions that they contain. The boundary is denoted by survey pegs or the physical shell of a building and cuts the organisation off in a geographic sense from the constructs of globalised forces. Within the physical shell, however, each apartment or unit becomes a small unit of regionalisation within which actors participate across time, space and context continuums. As boundaries loosen across the time and space continuum, the interaction between this organisation and other constructed entities loosens. Aspects of legislation limit the time-frame for set interactions, through annual general meetings in some instances. The contract mechanisms in place between the owner corporation and strata manager add a disciplinary element which further regulates 'face engagement' or interaction. The meetings held by the organisation have significance in ordering the activities performed by the actors.

This experience of agency is relevant to the owner-occupier and the renter, though for the landlord the psychological attachment may be centred more in economic concerns and social standing rather than place attachment and emotions associated with home. This issue of capital as value is important. However the value of the physical object of home is time dependent. That is, home has different economic value over time to the owner, as mortgages are paid down and physical shelter becomes home. It also has different psychological attachment for the actors

over time. For the developer, once he has relinquished ownership, there may be little emotional attachment. For a renter or owner occupier who has experience of the lived place, psychological attachment may continue to have power well after ownership is relinquished through thoughts and memories.

Both Bourdieu's (1979) and Giddens' (1993) theories have been the subject of intense criticism by some. Sack (2001) for example is critical of such theories. He argues that Giddens theory of structuration does not provide a distinction between the agents as forces and agents as the vehicle for other forces. Urry (2000, p. 15) goes further, stating that the structure-agency debate is not useful given the:

'intersecting sensuous relations of humans with diverse objects; the
timed and spaced quality of relations stretching across societal
borders; and the complex and unpredictable intersections of many 'regions,
networks and flows'.

Urry's (2000) argument is that societies are in relation to each other and therefore can only be fully understood in relation to each other. He states that society's borders are porous and changeable and therefore societies are no longer 'functionally integrated' with static borders. For Urry, sociological theories based on the assumption of bounded societies are no longer relevant. Hannerz (1992) also sees a need to study flows between cultures and societies. If owner corporation are bounded groups as it would appear - since they are limited in their ability to seek new membership - this aspect of flow becomes important, particularly in the need to shape and reshape the internal organisation culture. However Friedman (1992) uses the ideas of 'centre' and 'periphery' to explain the interrelationship between economic systems and exchange, the relative positions of, and interactions between different cultures and groups of people. The passing of knowledge between renters, owners, their committees of management and strata managers (as different groups) would appear to adhere to this view where exchange of knowledge is enacted.

These arguments, however, do not override either Bourdieu's (1979) or Giddens' (1993) attempt to reconcile the structure-agency debate. Neither Bourdieu nor Giddens believe that society is static. Though some would argue that Bourdieu's theories are more relevant because they are based in empirical work, it is the time and space continuum that Giddens offers in addition to the lessening of tension within the structure-agency debate that provides the most scope for exploring

owner corporations. This is because they come about through being physically located in time and space as well as being bounded groups which meet the edge of other societal groups through their placement in time and space, and through the formation of defined groups.

3.1.2 Applying structuration theory

The importance of structure as it applies to the concept of densification cannot be denied. It is necessary therefore to draw upon fields of sociological theory to cover the full gamut of the owner corporation and its creation as part of a social phenomenon. That is, the interaction between time and space, structure and agency must be addressed.

‘Time-geography provides an important mode of notation of the intersection of time-space trajectories in day-to-day activity. But it has to be inserted within a more adequate theorization both of the agent and the organization of the settings of interaction’ (Giddens 1984, p. 132).

The rise of the organisation is a general feature of modernity (Giddens 1990). Modern organisations are constituted by, and make up the capacity for ‘reflexive surveillance’ of actions over time and space continuums. Surveillance in organisations is associated with management control practices. Whereas time for Giddens, is a component of space, diced into quantifiable periods that stretch into eternity.

Briand (2001, p. 91 in Briand & Bellemare 2006) provides a valuable starting point for considering the application of Giddens’ work to the owner corporation. She suggests that, in Giddens’ view, the social system is made up of two key areas. On the one hand, there is knowledge in its various forms. On the other hand, there is the interpretation of integrated practices mediated through reflexive monitoring. Specifically, Giddens considers rules and resources implicated in the reproduction of social systems as the basis of all structure. The rules and resources exist as an instinctive or learned knowledge that forms the basis of integrated action. They exist as memory trace, representing the organic basis of human knowledge that is manifested in action (Giddens 1984, pp. 374-377). This is the area of structuration most often cited by scholars, for it is in this context that Giddens discusses structure comprising of structural forms of power and social action brought about through the enactment of agency.

However to build upon this an examination of structural types must first occur. Giddens (1993) proposed three types of inter-related structural positions - signification, legitimation and domination. Signification structures provide meaning and facilitate communication. They are symbolic representations of interactions between agents. In Giddens' view, communication can be action (he gives the example of chopping wood as an act of communication) or verbal as in the interview process or narration. In either case, the significance of the action remains with the doer rather than the receiver of the information. The information received has meaning to both the doer and the receiver, though the meaning may become distorted. In a functionalist view of communication, the significance is created by the doer and the receiver (Burrell & Morgan 1979). Legitimation relates to norms and values that are present within the structure. It contains the rituals that are performed throughout time that provide rigidity to the structure. Finally the ability to control and mobilise rules and resources requires the power to control or dominate.

To this end, Giddens considers the role of rules and resources in constituting society's structural element. The rules that assist society to function are predominantly considered to be legislated edicts and their interpretation by the legal fraternity (Travers 2010). Clegg (1989) contends that power involves reciprocity because it is constituted within a relational universe that has meaning for the actors involved. The articulated interests of power groups occur before existing power structures are reconstituted. This reproduction process is part of the recursive process of institutionalization that represents a significant component of power necessary to understand institutional changes (Dillard et al. 2004). Briand and Bellemere (2006) consider that in modern organisations surveillance associated with management control practices take the form of direct supervision of subordinates' work and the gathering of information in order to govern, control and co-ordinate actions. They place more importance on the gathering of information citing Dandeker (1990) because it is this activity that creates the ability to reproduce systems of governance at both the small group level and within wider society.

This view of power is similar to Foucault's (1977) view of government and power relations. For Foucault, government is conceptualised as the 'conduct of conduct' rather than the activities of political institutions (Dean 1999, p. 11). In this view, power is exercised from innumerable points in the interplay of non-egalitarian and mobile relationships. Relations of power are not external to other types of

relationships (economic processes, knowledge relationships, sexual relations) but are implicit in the latter. Power is multi-directional and exercised as dominant as well as over the dominated. Power relations are both intentional and non-subjective in that actors make calculated decisions. However, local actions are not necessarily coordinated and the consequences of such actions are not necessarily anticipated by the actors themselves. In short, Foucault (1977) describes a world in which there are multiple circuits of power connecting a diversity of authorities and forces within a whole variety of complex assemblages (Rose 1995). The shift is from sovereign power to disciplinary power and in understanding what instruments and techniques are used to manage the population, as seen in Foucault's prisoner and educational work. Here is where the strata mechanism and this thesis moves away from Foucault.

Bureaucracy in the Foucauldian sense has allowed the creation of a system of land management in one sense yet it is unaligned to any disciplinary considerations. Similarly, within the owner corporation a system of dispute management is outlined and retained within the legislation. However within the owner corporation environment, no penalties apply for noncompliance with the legislation, for failing to undertake the legislated duties. As previously stated, no external auditing is required to force compliance. This includes auditing not just of the duties of the owners and the owner corporation, but also to the duties of other bureaucratic players such as the keepers of land title, planners, developers and strata managers. Foucault's view therefore cannot be said to apply to the strata industry. Therefore, Foucault's view of power as disciplinary cannot be held as valid within this thesis.

While there are many resources and many ways to control resources, Clegg et al. (2006) consider money to be the ultimate resource, because with money one can control or buy all other resources including knowledge, labour and physical resources. This is seen within the political realm particularly where retired politicians often become paid lobbyists, and large strata projects proceed, based on influence exerted by them as 'paid resources'. Giddens (1993) however considers two types of resources: allocative and authoritative. Allocative resources in organisations include financial and human resources; expertise and knowledge or the capacity to define the service or good being produced and identification of the client base. Authoritative resources within an organisation relate to control and capacity. Giddens considers that control relates to the divisions and units within

organisations or industries and the agency that various players may have within the confines of their physical or authoritative domain. Capacity relates to the ability of actors or groups to organise and influence within that domain. Thus owners may come together to create lobby groups and exert pressure within the owner corporation at the local level, while still using their position at higher levels to exert legislative change. The capacity to influence may be self-serving or for the good of the group as a whole. However, there are drawbacks to Giddens discussion. For example capacity to influence others may be reliant not on the authoritative resources that one holds, but on the allocative resources that one is able to muster such as physical, human and financial assets. This is where larger industry bodies, such as the construction, real estate and strata industries are seen to wield greater power since they are able to access greater allocative resources from their membership bodies. The reflexive surveillance of 'other' through rules and resources constitute a means of control and domination. However Clegg et al. (2006) contend that power is not static. There is a time dimension to power which sees the centre of power move between different players over time. The rituals and artefacts of organisations are often seen as a way of using power to control populations so that conflict is limited.

3.1.3 Time, space and owner corporations

For Giddens (1984), time is a number of momentary segments reaching to infinity, or space. He suggests that integration of social systems occurs within time and thus space:

'All social life occurs in, and is constituted by, intersections of presence and absence in the "fading away" of time and the "shading off" of space' (Giddens, 1984, p. 132)

In this thesis, however, I am concerned not with an infinite number of subdivisions of time and the way those resources are allocated within time divisions, but rather with three distinct time periods. First, there is the distinct time lag between when the developer creates the organisation and when the new purchasers take control of the owner corporation. Within this thesis, the time period in which the developer has control is referred to as 'past'. The literature review found that during the 'past' time period, the developer uses legislation (rules) to create the organisation and is able to control both allocative and authoritative resources within that time period. In doing so, the integrated practices for future time periods are set. Town planners and permit authorities may be concerned with the physical structure of the building

and where it is sited in relation to other buildings. However, they do not have the authority or power to determine the bureaucratic structure of the organisation, the allocation of voting shares, or the by-laws that are applicable to the organisation. The developer has structural power and there is little or no opposing agent. The developer is able to create the authoritative structure of the owner corporation which is appended to each real property title as it is issued by the relevant authorities. The developer is able to create a uniformity of complexes through master plans and the banning of various activities. The developer's 'domination' power is complete through adhering to the structural rules or legislation that society dictates, and is legitimised through ritual practices and artefacts. The purchaser's agency is limited solely to acceptance or rejection of the purchase contract. The purchaser is unable to negotiate the contracted terms relevant to the owner corporation, since the scheme must apply equally to all would-be owners within the past timeframe.

Research, by its very nature takes place in the past, the time of interview having faded into space by the time the researcher begins writing. However these interviews took place at a time during which prospective purchasers had moved into ownership of their property, the organisation had been handed over to the new owners, and there had been sufficient time for the owner corporation to begin functioning. In order to differentiate this time space from the developer's domination period referred to above, the term 'present' is used. Within the present time period, different groups of stakeholders interact exerting the power of agency or structure as reflexive monitoring of action occurs. In particular, the enabling legislation within each state provides a framework within which individual owners are able to take collective action. Yet the rules created by the owner corporation have meaning and exert change that limits the action of individual owners. In this way, the owners and owner corporation are both enabled and constrained. Likewise, the owner corporation and strata manager relationship has both enabling and constraining consequences. This relationship occurs in order to enable the organisation to meet structural reporting requirements and strengthen governance. Yet the contractual mechanism and owner disinterest reported in the literature review indicate that the owner corporation (and hence the owners) may be constrained through these same mechanisms. The norms, values and meaning attached to the contract determine the power play between structure and agency

and this is enhanced through the specialised knowledge of contracts and the expert knowledge of strata.

The future period is focussed on a time space period that has not yet arrived, or if it has arrived, had not arrived when the interviews were taking place. The term 'future' is used to denote the period of time stretching to infinity. The future is therefore concerned with events that are yet to take place. Society may predict the both intended and unintended consequences of actions, and move to adjust either agency or structure as a result. The future then, is the realm of policy implications drawn from interpretation of the data. Discussion of the future then is confined to the final part of this thesis.

3.2 Epistemology

Giddens' (1984) structuration theory is most often used alongside a realist epistemology to link levels of analysis. Realist methodologies involve theoretical identification of causal powers in addition to empirical identification of contingent conditions which are capable of restraining and enabling change. For realists, neither capitalist nor economic views are capable of fully explaining change. However others, including Jacobs (1999, p. 22), reject the realist approach because there is no way of knowing how necessary mechanisms become explicit or what these mechanism are. Consequently they are difficult to measure.

On the other hand, positivist theories do not fit easily with an agency approach either. This is because positivist approaches are based on an objective knowledge that is independent of human experience. The 'knowledge' is capable of discovery through scientific methods with laws governing human behaviour that are observable and measurable in their adherence. Hodge's (1996) positivist approach to measuring outsourced contract states has a similar basis. He can tell how much and how often, but not why or how these states come to exist. Muezselfeldt (2003, 2006) is better at explaining the why and how of the contract state. Each organisation justifies a state that Hodge considers may merely be 'fad like' through divestment of non-core activities to others. Contracting out must be good for the organisation because everyone else is doing it, he suggests. At first glance this would seem an appropriate epistemology for this thesis since the question of external contractual relationships has been raised in the literature review as being relevant to the owner corporation. However such an approach could not measure outcome over time in either efficiency or more importantly effectiveness, or shed

light on key benefits or drawbacks to the contract state, other than in monetary terms. Moreover, the view that knowledge is an independent entity separate from our own perceptions does not fit with Giddens' approach of structure as both enabling and constraining. On these grounds, Hodge's (1996) positivist approach is therefore rejected in this thesis.

3.2.1 Giddens and constructivism

In the context of the literature, I have discussed knowledge in the light of something that is acquired, rather than a static state to be discovered. Giddens acknowledges that the social system interacts with knowledge in a variety of ways. For example, ritual and norms within society are formed from mutual knowledge that has shared or specialist meaning. Both structure and agency are influenced by mutual or specialised knowledge which may assist in underpinning the competence to act. In applying structuration theory to organisational settings Briand and Bellemare (2006) consider that mutual knowledge refers to integrated practices such as corporate strategy, organisational structure and performance indicators that ensure governance is institutionalised, coordinated and monitored. They cite the example of an annual budget which although mainly monitored for expected results:

‘can also be conceptualised as a governance mechanism because it constitutes the monetary expression of the enterprise's strategic directions. It is also a tool, which facilitates the coordination of the activity of several actors. The budget is a practice through which reciprocal relations can be established among the actors; as such it is an integration practice’ (Briand & Bellemare 2006, p. 67).

Yet Briand and Bellemare (2006, p. 73) concede that where a budget is implemented without reciprocal relations, it remains merely a structural element of domination and expression of power likely to give rise to various forms of conflict including resentment. In a post-modern era the conception of knowledge is replaced by knowledge as a social construction of reality the pace of which globalisation has quickened (Giddens 2000; 2002). Truth is constituted through dialogue. Valid knowledge claims emerge as conflicting interpretations and actions are discussed and negotiated among the members of a community (Kvale 1996). A postmodern approach focuses on interrelations in an interview on the social construction of reality in an interview, on its linguistic and interactional aspects including the differences between oral inflections. Dialogue and written text

emphasize the narratives constructed by the interview. In an organisational sense 'the human agent is faced with a condition of irreducible indeterminacy and it is this endless and unstoppable demurrage which post-modern thought explicitly recognises' (Cooper & Burrell 1988, p. 98).

Jacobs (1999, p. 23) traces constructionism to Strauss's (1978) ethnographic studies, theories of phenomenology (Schulz 1962) and linguistic philosophy. These constructionist frameworks place more emphasis on action. A constructivist approach treats reality as the outcome of processes in which actors negotiate the meaning of both situation and action. A social construct is therefore a concept or practice of a ritual or artefact of a particular group. Berger and Luckmann (1984) argue that all knowledge, including common sense knowledge of everyday reality, is derived from and maintained through social interaction. This is more akin to Giddens' (1993) views since action enables and constrains structure, and structure is related to rules and resources that govern behaviour. Knowledge is constructed from individual conceptualisation as well as through shared meaning. Giddens (1993) provides a place for specialised knowledge while acknowledging that no one person is able to have all knowledge. That is, the strata manager may have specialist 'professional' knowledge while lacking the ability to know firsthand what it is like to actually live within the complex. Likewise, the owners and committee members conceptualise their knowledge from their experience of the lived environment, rather than the point of view of an expert strata manager. They may lack specialist knowledge unless the 'strata manager' is also the owner's employment profession. Over time, owners may acquire a great deal of specialist knowledge from their contracted 'experts'. This shared knowledge becomes mutual knowledge that is agreed upon and integrated through legitimation and signification processes. Language as a way to construct reality becomes important. Since structuration theory emphasises the significance of meanings in facilitating action, a constructivist epistemology is relevant to this research. In discussing organisations, their sourcing strategy, and governance capacity, a constructivist perspective places emphasis on definitions and interpretations put forward by developers, owners, their committees of management, strata managers and the associated professionals who interact with them.

3.2.2 Structuration, constructivist views and institutionalism

Institutionalism developed from the fields of sociology, organisational studies and management both of which have their roots in sociology, psychology and political

science. The difference between institutionalism and new institutionalism lies in the way the relationship between society and the individual is viewed (Di Maggio & Powell 1991). Institutionalism suggests that formal organizational structure reflects technical demands and resource dependencies shaped by institutional forces. Institutions matter because laws, customs and established practices play powerful roles in shaping individual behaviour. Institutions have been defined as 'the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units in the polity and economy' (Hall 1986, p. 19). New institutionalism places greater emphasis on the way that organisations and individuals respond to their environment, as opposed to being shaped by the institutional arrangements that they work within (Travers 2010, p. 56). Thus institutions shape the behaviour, power and policy preferences of actors. For example within the owner corporation environment, the views of the strata manager are shaped through the interaction of professional industry bodies. Pontussen (1995) considers that institutions stand above actors but below political power sources. This view is contrary to Giddens' (1993) view of institutions as both enabling and constraining. Giddens sees actors enabled across different time, space and levels (individual, organisational and institutional though not necessarily within the same time-space frame). North (1990a) and Zald (1987) both conclude that among other things, economic institutions assist by monitoring and enforcing contractual relationships between organisations and institutions. Since society has embarked upon a period of economic rationalism and the contract society has become the norm, the power that economic institutions such as banks have to force change is immense.

Both formal and informal customs and practices are capable of shaping behaviour within institutions and organisations. Organisational practices and structures may be responses to or reflections of rules and conventions or belief systems created from within the community. North (1990b, p. 36), for instance, argues that:

In our daily interaction with others, whether within the family, in external social relations, or in business activities, the governing structure is overwhelmingly defined by codes of conduct, norms of behaviour and conventions. Underlying these informal constraints are formal rules, but these are seldom the obvious and immediate source of choice in daily interactions.

North (1990a, p. 396) further argues that 'organisations are a response to the institutional structure of societies'. The actions of organisations have the ability to affect and change institutional structure. By considering the shaping forces on the owner corporation, I demonstrated that the owner corporation was a non-profit organisation under Australian law. Structuration theory considers that institutional forces in the form of rules, including resources, and legitimised conventions are given significance through belief systems and the ritualised enactment of these. These structural forces both produce and reproduce institutional environments cementing into place those rules of engagement that favour the most powerful actors or groups of actors. As the rules, practices and belief systems become more rigid, greater resistance to change occurs at the institutional level as institutional actors seek to maintain the status quo, and rules are legitimised through law and other regulatory mechanisms. As Meyer and Rowan (1977) state, to heighten legitimacy, organisations are likely to construct stories about their actions and roles that correspond to what the organisation did or should do rather than what actually happens. Thus organisational myths are constructed as fact. These stories are used as a 'symbolic reassurance to mollify potentially influential publics' (Mizruchi & Fein 1999, p. 656).

Bourdieu (1990) considers that these symbols simultaneously impress one group while being used to suppress another group of actors as the space for power is negotiated between them. Thus power within social relations is not a fixture, but something more fluid in nature. According to Hirsch and Lounsbury (1997) both Giddens (1984) and Bourdieu (1990) provide links between old and new institutionalism. Further, they state that in considering 'habitus', Bourdieu is able to bridge the gap between new and old institutionalism, since his grand theory contains elements of both. For Bourdieu, the social work is structured around the opposing form of cultural and economic power. Bourdieu's view of power is important here since both the written contracts between individuals and companies, and unwritten contracts between those living within the strata environment are subject to power dynamics. The different uses of language confirm the respective positions of power between the individual actors. Those 'in the know' are therefore able to readily decode the norms associated with the contract environment. However for Bourdieu language is performative. For him, it is the practical social action that links past to future and for which he coined the term 'habitus' to denote the tacit knowledge of how to continue or 'go on'. Therefore habitus becomes the

internalisation of reality as well as the external moment of practice (Haugaard 2002, p. 225).

Sociologists Di Maggio and Powell (1991), on the other hand, emphasise conventions and practices that influence behaviour. Within organisational studies the view is that organisational practices and structures are responses to rules, beliefs and conventions embedded in social and political environments. So between sociologists and organisational theorists there is a chicken and egg scenario – which comes first, the rules and practices or the behaviour that led to them? Constructivism considers that the reality of the outcome or lived experience is what matters most. Structure, our interpretation of structure and our response to rules, beliefs and conventions create reality. Structuration theory fits this scenario well, since it treads the line between sociologists and organisational theorists. Moreover contractual relationships and norms are seen as legitimised practices within Giddens' (1993) framework.

Structuration theory allows for the movement of power between the two views. That is, with different time spaces, the power relationship is able to evolve. The same players may exist, but the power relationship between institutions and actors alters as some of the actors take up positions of power within the institutions or are ousted by other players. Di Maggio and Powell (1983) identify three different forms of power - coercive, normative, and mimetic processes of reproduction. These three forms of power relate to their concept of institutional isomorphism rather than competitive isomorphism. Competitive isomorphism relates to market pressures for similarity between organisations and institutions. There have been instances of competitive isomorphism noted throughout the narrative. However I chose to focus on institutional isomorphism as the dominant power paradigm. Consideration is next focused on coercive, normative and mimetic isomorphism as three forms of power relevant to the explanation of strata manager and owner corporation relationship.

3.2.2.1 Coercive isomorphism

Coercive isomorphism as defined by Di Maggio and Powell (1983) is created by formal and informal pressure being exerted upon an organisation by other institutions, organisations or society at large. Coercive factors include political pressures and state forces, providing regulatory oversight and control. The literature noted that in the past time space, significant coercive power rested with a

variety of actors. It considered four major groups and four minor groups of actors that hold institutional power relevant to the strata industry. Major players include the banking, construction and insurance industries and political and legislative players. Minor players include developers, councils, real estate agents and strata industry professionals as indicated in the following diagram.

The position of privilege and attendant power that these actor groups collectively hold legitimises and confirms institutional form within which new strata developments are approved. That is, construction professionals and developers create the physical form of the building which is approved by planners. In approving the physical structure of the building, planners also 'give the nod' to the creation of the organisation, though there is little or no recognition from planners that they have stepped outside the realm of their expertise, or that other professional groups are vetting the soundness of the organisation as such. Yet the legitimised norms allow this to occur as a matter of course. In Figure 5 the key players at an institutional level are noted.

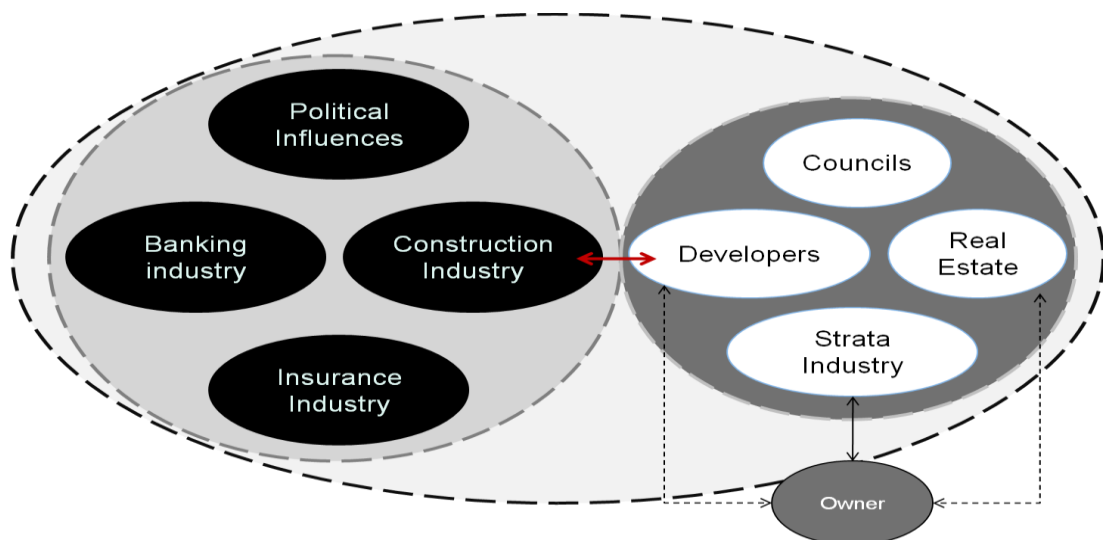


Figure 5 Structural influences and the strata environment

The trading of strata real estate through contract mechanisms cements and legitimises the planner's decision. Further, the developer creates the organisational structure and rules of engagement for future owners and enforces them through the ritualised trading of contracts and the terms contained within it. This situation can be contrasted with other organisational norms. For example were I to set up almost any other organisation, I would need to assess the soundness of the proposed organisation in terms of legal, financial and governance viability as well

as have a clear understanding of purpose. The purpose in the case of owner corporation is provided through legislation and summarised adequately by Sherry (2009). However this is jeopardised through the marketing techniques of developers and failure of the media to alert prospective owners to their chosen community obligations towards all other owners.

3.2.2.2 Mimetic isomorphism

Mimetic isomorphism occurs as an organisation's response to uncertainty. It occurs when one organisation mimics the practices of another similar organisation perceived as more successful. Mimicking may act to stabilise an organisation in times of crisis, or may assist an organisation to increase its power and status. Choosing the right organisation to mimic remains the crux. The literature review drew upon new institutionalism's mimetic isomorphic view outlined by Di Maggio and Powell (1983), first identifying the owner corporation as a non-profit organisation, then by comparing organisational traits of the owner corporation to those found within other non-profit organisations such as schools and charitable institutions. It is through understanding the similarities and differences between organisations that new ways of understanding behaviour are elicited. Likewise, comparison between the strata industry and the construction industry enables the observer to better understand the actions and motives of strata managers, and contract force used between the strata managers and owner corporation. Much of the work undertaken by strata managers is administrative and involves working with facility maintenance groups linked to the construction industry. Strata Managers may also have links to the construction industry through the developer. Issues of trust were identified in the literature review as important aspects of the power relationship. A lack of trust may produce disinterest in an organisation's affairs. It may also lead to a heightened sense of what awareness and increased vigilance.

3.2.2.3 Normative isomorphism

Mimetic isomorphism occurs as an organisation's response to uncertainty. It occurs when one organisation mimics the practices of another similar organisation perceived as more successful. Mimicking may act to stabilise an organisation in times of crisis, or may assist an organisation to increase its power and status. Choosing the right organisation to mimic remains the crux. The literature review drew upon new institutionalism's mimetic isomorphic view outlined by Di Maggio

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Key to the literature review was an understanding that issues of trust and non-participation were endemic within other non-profit organisations such as school parent and friend associations and charitable organisations. This is consistent with the lack of participation and trust identified by McKenzie (2006b) within home owner associations and condominiums throughout the United States of America. The lack of trust identified by McKenzie, however, was between owners and relates back to the ability of owners to put group good before personal gain.

3.3 Methodology

Studies of urban spatial patterns, social housing, tenant participation models and organisation life have been linked to power and conflict paradigms. Low (2006) and Foldvary (2002; 2006), for instance, discussed power through economic considerations. Jacobs (1999) viewed housing policy through a power and conflict perspective. Throughout the literature review competing interests have been noted in relation to the dual nature of participants attempting to balance self-interest with that of the common good. Olson (1965; 2000) and Ostrom's (1990) are relevant here to power issues implicit in the need for collective action within the owner corporation. Ostrom found that where livelihoods were threatened, collective resources were shared. However Olson (1965) considered that the larger the group, the greater the likelihood of free riders or non-contributory members. McKenzie (2006a; 2006b) in particular has noted competing interests within owner corporations and the tendency for individuals to free-ride. Where free-riding occurs, the vacant space left by free-riders becomes available for others to fill. Structural power was also taken into consideration particularly in relation to the formation of

the owner corporation by people who may have little on-going interest in the organisation. Clegg et al. (2006) also consider a framework within which decisions, failure to make decisions and determination of issues as worthy of discussion is power-based within organisational settings. A number of different paradigms need to be explored to best fit for the owner corporation.

3.3.1 Managerial rationalism

Managerial rationalism, a paradigm often associated with organisations, assumes that the behaviour of members can be controlled and predicted using rational management techniques during process implementation and change. Effective implementation requires a combination of (good) rational-management and technical competence. This perspective is an important aspect in light of the owner corporation's ability to make and implement governing laws. Implicit in the managerial rationalism construct is the notion that implementation is linear, involving logical stages based on strategic intent, pre-planned and implemented in a logical sequential way. According to Campbell (1996) personal aspirations are assumed to be synonymous with those of the organization, an assumption that fits with collective action assumptions at the cost of individual need. In this paradigm, changes are implemented as a consequence of the strategies laid down by managers. However change is rarely linear within organisational contexts (Lewin 1951). Lewin's discussion of force field analysis considers that for any change to occur, force or power needs to be applied to effect a change in equilibrium and therefore resistance to change or conflict may follow. Good management combined with technical expertise may contribute to the smooth running of an owner organisation. However, it is reliant on synonymous aspirations of contractually bound owners, and does not address the emotional attachment to the idea of 'home' and considerations of ontological security that reside there¹⁰. The resistance, depicted as conflict in the literature review, therefore conforms to the linear structure of managerial rationalism.

3.3.2 Social interaction

Organisations, including owner corporations, are made up from collections of individuals who interact with each other. The social interactionist paradigm sees organizations as social systems or cultures that socialize individuals to conform to sets of norms, beliefs and values (Handy 1997). Because individuals possess

¹⁰ See Dupius and Thorns (1998) for an excellent discussion of ontological security and home.

diverse goals and motivations, disputes over objectives and priorities may arise. Here the conflict paradigm raises its head again. In social interactionism, the behaviour of members is perceived as unpredictable, while being influenced by the organization's underlying culture. Values and norms are not specified but embodied in procedures, rituals, and exercise of power. Hirschheim (1983, p. 279) asserts that organizations '... are not rational and manifestly rule following, they are social arenas where power, ritual and myth predominate'. The key assumption of the social interactionist perspective is that procedures and by-laws, and implied states of being do not function independently of their environments but gain meaning in the cultural and organizational context.

Barth (1989) suggests that since societies and cultures are not static, bounded units, the presumption of disorder should be the starting point, and then goes on to explain any order that occurs. Osborn and Van Loon (2004, p. 95) ask 'why should we view society as a whole'; and 'why should we assume a tendency towards conformity and integration'. Barth (1989, p. 132-134) argues instead that we should start with the presumption of disorder and then try to explain 'the trend towards some partial order'. In attempting to explain trends of order and disorder, Barth identifies 'streams' of discourse. Within the literature review streams of discourse are centred around contracted ideas of governance, contractual mechanisms, stakeholder relationships and organisational capacity. Thus the approach taken is a constructivist approach and Giddens' work of a contractually governed society in which actors are both enabled and constrained becomes a fitting approach for this thesis.

3.3.3 Applying an interpretive approach

An interpretative approach allows investigation of power and conflict within the owner corporation. Clegg et al. (2006) has stated that power is embedded in human action. It becomes 'the means of getting things done' (Giddens 1993, p. 272). Owner corporations have a legislated mandate for 'getting things done'.

The negotiated meanings of Giddens' (1984) space and time can also be framed within the interpretative approach. Within the organisational confines of the owner corporation, each person is time bound in relation to their influence at either the scheme set up stage or the ownership stage, with notions of owned locales to be negotiated. Structuration theory provides an explanation for the clash of integration practices enacted between the groups of players shown in Figure 5. Figure 5

provides a visual view of the key elements of 'structuration' as discussed to date. The relatedness of structuration theory and the power and conflict paradigm relevant to the strata industry can be explained through Figure 6.

In Figure 6, 'structuration and strata', the power and conflict paradigm is overlaid on the key components of Giddens' (1993; 2000) structuration theory, discussed earlier in this chapter. Because interaction is mediated over different time periods, the actor's position may move between structure and agency depending on individual situations over time. That is, at the buy-in stage, the developer has the enabling legislation on side. The rituals associated with real estate purchase contracts favour the developer rather than the owner. The contractual power relationship between the developer and the prospective purchaser is therefore on the side of the developer and real estate agent. Negotiation over contract terms is limited to price. The owner corporation structure has already been set up by the developer, and the prospective owner has no say over who the other governing body participants are. The arrow is therefore one directional since the purchaser is constrained by the developer's terms.

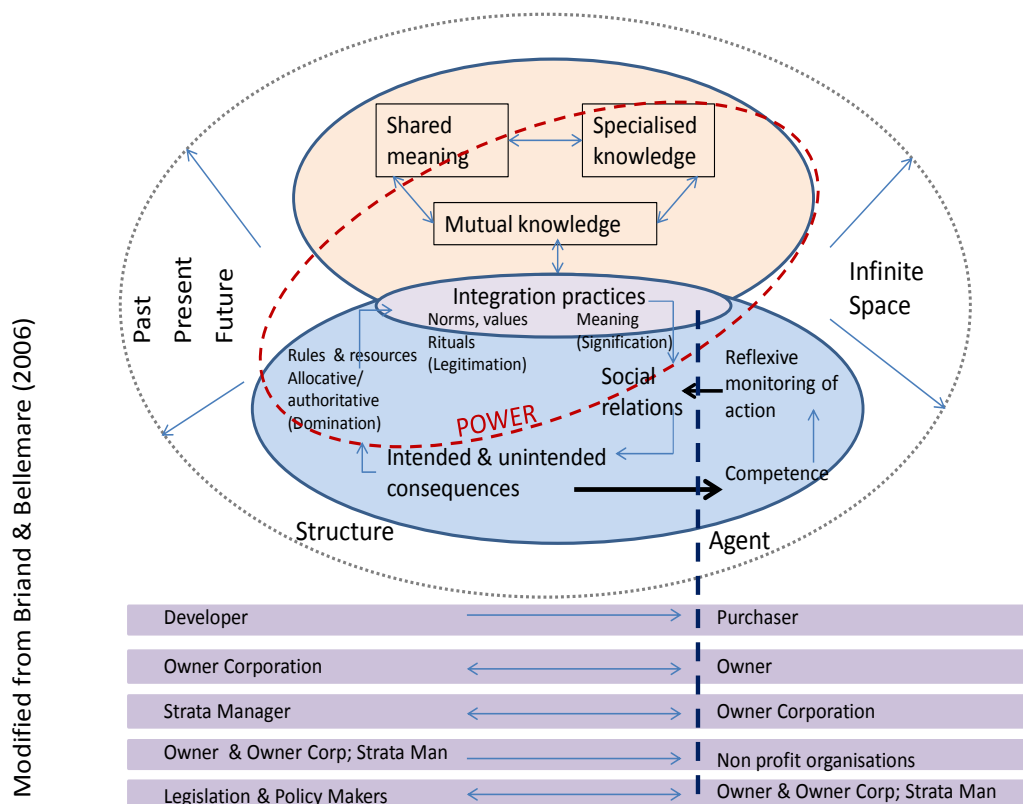


Figure 6 Structuration and Strata

Once the owner has title to the real property within the scheme, the owner corporation becomes a member of the governing organisation defined in the governing legislation. The owner corporation is set up to give the power of determination (within the developer specified confines) to the individual owner. The owner retains the ability to influence the owner corporation as an act of agency, but may also stand for a position on the committee of management. Here there are both enabling and constraining influences at work. Power plays are possible as rules are negotiated, so the arrow is multi directional. The strata manager is appointed by the owner corporation and therefore retains the ability to endorse or reject his contracted position. However the owner corporation is reliant on the strata manager as an expert in the industry. Both the strata manager and the owner corporation have the ability to both enable and constrain. Within legislation, the committee hold the power, yet power is a negotiated ground and the contracts signed between the two will outline the rules of engagement and thus positions of power. Therefore the arrow is multi-dimensional.

The literature review uncovered structural influences through the Australian Tax Office Ruling IT 2505, linking the owner corporation (and hence their employed experts) to the non-profit sector. Creating owner corporations as non-profit participants establishes their place of power within the taxation and grants systems. Therefore the next arrow indicates a one directional structural influence. Lastly, policy makers at state and federal levels have the ability to create legislation and regulation that both enables and constrains the owner corporation and therefore the individual owners. At the same time, individual owners, owner corporations and strata managers have the ability to lobby policy makers to ensure appropriate legislation and policies are enacted. There is a drive towards consensus, yet the ground is contested. Therefore the arrow is multidirectional, indicating both an enabling and constraining influence.

In Figure 6, *Structuration and Strata* power is exercised across the full range of action and interaction. Whereas Figure 5 *Structural Influences and the Strata Environment* depicts direct influences between two or more players, Figure 6 shows the coercive influences on legislation and policy makers in greater detail. These industries are represented by professional bodies that advocate positions with government and to whom government may offer concessions. Each player's decision cements the decisions by others to exert power over the individual owners.

3.4 Conclusion

This chapter has discussed the ontological and epistemological aspects of the research. Power and the contestation of power are critical to understanding organisations. Within the strata development, much of the power relationship lies within the contract terms and legislation at various stages throughout the past, present and future phases of the organisation. The exploration of power dynamics in this thesis are considered through two key actor groups, that of the owner corporation committee, and that of the strata manager, where there is a strata manager contracted to the organisation. I have provided a diagrammatic representation of the role that power plays within the owner corporation. This diagram illustrates how power plays differ between the 'leaves of time'. In the past phase of the organisation, the power rests with the developer - the prospective purchaser has limited ability to negotiate terms. In the present, a range of power plays exist between owners and the owner corporation; between the owner corporation and the contractual relationship with the strata manager; between the owner corporation and the non-profit sector; and between policy makers and the owner, owner corporation, strata manager and their associated industries.

What is missing in academic literature is an appreciation of structure and agency as it applies to the strata environment¹¹. The Foucauldian view of power was rejected as too limiting. An agency view on its own did not apply to the owner corporation. Structuralist views likewise did not explain the legislation designed to provide agency to owners. Both enabling and constraining forces were observable within the owner corporation. I argue that both structure and agency have a role to play for owner corporations. Thus structuration theory fits well within housing and organisational contexts. The concepts of organisation, governance, participation, expertise and the contract environment are constructed realities that can be placed within Giddens' (1993) theoretical framework.

The rules, integrated practices and reflexive monitoring of action all have their role to play. This thesis provides a framework for contextualising the owner corporation within the structure and agency debate. It provides an explanation of the agency employed by various actors and how they are also constrained by structural forces.

¹¹ As highlighted in the literature review, a number of people have applied structuration theory to the real estate industry with Foldvary (2006) incorporating the strata environment via 'condominiums' into the overall real estate framework. As such, his work is focussed on sale of property rather than the lived experience resultant from the real estate market.

This thesis addresses the problem of strata title on two levels. First, it identifies a practical problem and then provides an explanation of what is occurring and why. In doing so, linkages between various organisational aspects are highlighted. Second, it represents an attempt to apply sociological theory to the strata environment.

An epistemology based on constructed reality was identified and viewed through a power and conflict paradigm. The power and conflict paradigm has been central to several streams of housing literature. Shifts in power were seen as useful in explaining structuration theory within this chapter. The next part of this thesis considers the actual methods taken to locate material and participants. It provides the framework for the thematic analysis of transcripts.

Chapter 4 – Research Methods

4.0 Introduction

This chapter describes the research methods used in this study, in particular the use of interviews. It sets out the framework for the thematic analysis of transcripts and discusses the reasons for selecting this approach, the challenges involved and how these were overcome.

I also discuss problems encountered in identifying research participants and how these were addressed. The composition of the research participants who were interviewed is also described.

4.1 Research methods

The major methods utilized in this research were:

- A review of reports, media and websites;
- The use of in-depth, semi-structured interviews, conducted and analysed using a thematic approach;
- Review of relevant academic literature from a sociological and management perspective.

Finding an appropriate place to begin this research proved problematic. In part this is because of the power that the developer holds over the organisation, even though he or she has relinquished ownership of all property. In other words, the structural influences across time meant that there was no clear place to begin the research. The contractual norms involved in the purchase of real property have significant meaning for would-be purchasers. Understanding the competence of purchasers, seeking to change their ownership status is necessary. Yet the literature on strata title held few clues to this. Blandy and Lister (2006) prove the exception, publishing research indicating that owners may be unaware that they have purchased anything other than freehold property several months after title has issued and the new owners have moved into a gated complex. When this research project was first conceived, research on owner corporation was virtually non-existent within the Australian context. Since then, Goodman and Douglas (2008) have provided clues on the issue of purchaser knowledge. Their research considered the sale of off-the-plan units through developer web sites and provided important clues for this research as to how apartments were marketed to

prospective buyers. Not all apartments are purchased off- the-plan, however, and even those that are may be sold through real estate companies.

I was interested in the question of do stakeholders interact to impact governance? In response to this, I initially sought to understand the interface between strata managers and owners within their complexes. Yet this relationship appeared to increasingly be entangled with the previous timeframe of purchaser – real estate – developer. An understanding of both ‘leaves of time’ became necessary to tease out the social relations between the two groups and understand the impact of enabling and constraining forces. The literature review allowed me to identify relational aspects between governance (structural domination), organisational structure and the contract environment (legitimation), stakeholder cohesion (reflexive monitoring of social relations) and capacity (competence) which prompted the question: How does the governance of organisations (owner corporations) work?

With this question in mind, I sought to understand the role of the strata manager in relation to the owner corporation. Thus there is a practical element to this research in addition to the theoretical overlay of structuration theory which has proved so useful in identifying structure and agency considerations. Clearly prior knowledge of the way in which strata schemes work would benefit potential owners in their interaction with other owners and the strata manager. This mutual knowledge would enable integrated practices to be enacted to greatest benefit. The starting point for shared rituals, norms and meaning between the two groups of actors is knowledge prior to purchase. Yet it is also discussion on this type of shared knowledge that is missing in the academic literature. For instance, as noted earlier, not all owner corporations engage a strata manager. In the present time space, where there is no strata manager appointed and therefore no contract to create structural tension between the strata manager and the owner corporation, then we would expect a different dynamic to exist between structure and agency. To find a way forward I sought guidance from a range of qualitative researchers by reading widely.

Epistemological considerations provide useful frameworks within which to identify the most appropriate techniques for the research. Consideration was given to various approaches within which to contextualise the data. Consideration was given to two primary, but related methods - document analysis and semi-structured interviews. This approach of document analysis and semi-structured interviews

represents a relational framework that has meaning both in terms of the organisational structure and participant viewpoint, as it applies to the organisational context. The voice of various actors can be heard by employing either interview (dialogue) or through analysis of the written word, allowing the researcher to address the different time spaces of various actors.

The following discussion takes the reader through the steps that informed the research within a constructionist, qualitative framework.

4.1.1 Considering grounded theory

Grounded theory as advocated by Glaser (1978, p. 3) argues that 'the first step in gaining theoretical sensitivity is to enter the research setting with as few predetermined ideas as possible'. Ezzy (2002, p. 10), citing Glaser (1978), appears to suggest that 'researchers shouldn't read the literature or develop hypotheses before entering the field'. Strauss and Corbin (1990) revised the grounded theory approach to dilute the blind approach to research. Ezzy (2002) considers it necessary to have some preconceived ideas of the research prior to beginning, and certainly any researcher reliant on grants would need to develop ideas, simply to facilitate the grants process. In this way, I have taken my key approach from Kvale (1996), Ezzy (2002) and Stake (2010) who consider that it is necessary for the researcher to have some familiarity with the subject prior to undertaking interviews. In taking this approach it became necessary for me to acknowledge my preconceived ideas and bias. One way to enter into the research project with as little bias as possible was to consider research entry points other than the interview process to inform and round out preconceptions. There were assumptions that I had made in relation to the context of the industry which needed verification or rejection; that is I had assumed that the owner corporation was more than a legal mechanism.

Moreover Bringer, Johnston and Brackenridge (2004; see also Charmaz, 2003) have noted significant difficulties when applying grounded theory to this type of project. Notwithstanding the quality control issues identified, grounded theory is an iterative approach required primarily for objective theory generation. Whilst theory generation is important, seeking an explanation for the current state of affairs is equally important. Applying structuration theory helps with understanding the effect of power plays previously taken for granted. However further consideration of frameworks was required in conjunction with structuration theory.

4.1.2 Considering Pels, Cresswell and Mills

The approach I undertook to become aware of these preconceived ideas and strive to enmesh my ideas in mutual knowledge of the actors themselves relied to a large extent on Pels' (2000, p. 17) work. Pels takes a middle path to knowledge through the collection of data. For him, language is a constitutive force in which meaning is imbued and reconstituted through repetition. Popular discourse asserts that urban densification and the walkable city will make our lives easier, yet there are few clues as to what this means for property owners. Leonard, Perkins and Thorns (2004) consider print media as one way that home-related popular taste is conveyed and reinforced. It is not unreasonable then to assume that Australia's taste for the walkable city is also shaped by media. Hauge et al. (2012) consider that the external appearance of our dwellings has considerable ability to influence self-image. Normative notions of how homeowners should live are displayed in print media, and as Mills (1959) states, print media often presents structural considerations as policy, normative and the dominant discourse to which the masses must adhere.

A targeted search to determine what was being written about in relation to owner corporations appeared one way to test this prior to interview. Creswell (1998, pp. 36-37, 63) offers the following advice for qualitative researchers seeking to undertake a case study approach:

- Identification of a particular case or cases bounded by time and place;
- Use of multiple sources of information in data collection, including observations, interviews, audio-visual material, and documents and reports;
- Extensive considerations and description for the (physical, social, historical and economic) context and setting of the case where appropriate;
- (and if appropriate) description of chronology of major events followed up by an up close or detailed perspective about a few incidents.

Creswell (1998) argues that although the case study might be used to test some particular theories or ideas, the analysis is usually derived to a large degree from the case itself. Stake (2000) has an even simpler recipe. For him, qualitative casework involves simply 'placing your best intellect into what is going on'.

4.1.3 A triple approach

I collected data from a wide variety of sources in order to contextualise interview data within a wider debate. Thus the focus is not just a one sided debate but rather that agency is placed within an appropriate structural setting.

Researchers not only need to observe and record the details, but also to reflect critically on what they see. From these authors a multiple approach appeared to best meet my needs. Engagement with the actors was necessary, along with perusal of media, relevant documents and academic literature. This approach meant that I could answer the three questions posed:

- How does the governance of organisations (owner corporations) work?
- Within owner corporations, how do strata managers and the committee of management interact to impact governance?
- Can structuration theory be used to explain governance within the owner corporation?

I sought to understand the current situation from a 'person in the street' perspective. For this reason I reviewed appropriate policy documents and media articles, since this is where much of the layman's understanding of world is captured (Mills 1963). The following subsection discusses the tools employed in order to limit self-bias. I follow this with the results from the print media research in Part D.

Chapter five introduces the specific measures employed in the qualitative research. I discuss the semi structured nature of the interview questions and how I went about identifying and seeking participants, but more importantly who I excluded from the study. This is followed by an introduction to each participant and their self-statements of introduction.

Chapters six and seven contain a detailed analysis of transcripts from the semi structured interviews.

4.1.3.1 Academic literature

I began this research process by reviewing academic literature relevant to the strata environment and then extended it to the wider organisational realm. The literature influenced my research design and particularly the questions that I choose to ask in the interviews. I was particularly influenced by the commentary on strata managers, which for me remained a central part of the current research process. Many of the studies that I read relied on interviews with owners. I was

particularly interested in the concept of organisation and thus sought the committee's view on how these people came to be associated with each other and the types of issues owners had to address at an organisational level. As I began to draw out recurring themes within the transcripts, I was then able to situate these within the framework of structuration theory and thus place the strata mechanism and its participants within that framework.

4.1.3.2 Document review

A large proportion of my research work involved the review of documents of various types. The largest proportion of my time was taken up by reviewing academic literature relating to the development of my own theories. However, I also analysed policy and promotional documents belonging to relevant government agencies and the strata industry. I thought this important because these documents set the framework and future direction of strata title. The purpose of this analysis was to understand how conceptions of strata title in these documents differed to that of media and web searches and to draw out these differences in my findings. However, I also considered it important to assess the extent to which the academic dialogue of governance, participation and expertise were aligned within these documents.

4.1.3.3 Media and websites

Accordingly it is considered relevant to undertake a preliminary assessment of Australian newspaper articles and websites in relation to strata title, with a view to gaining a greater understanding of key issues facing owner corporations and the amount of information prospective owners have prior to purchase. This approach is seen as integral to the research stance taken. Not only does this approach inform the interview questions, it also fills a key knowledge gap left between Goodman and Douglas's (2010) research and Blandy and Lister's (2006) research. It invokes Leonard et al.'s (2004) material studies research by accessing media as a voice that shapes societal needs and wants. Sjorslev (2012) sees home ownership as both an asset for future generations and a material object that can be traded and borrowed against to meet other material desires. Sjorslev achieves this through interpretation of interview transcripts and newspaper articles. My approach is not dissimilar.

Media and website data was collected during the period 1 April 2008 and 30 April 2008 using a combination of Factiva and Google. Factiva is an electronic data

base that collects all published news stories on a worldwide basis. However the search was limited to the Australian print media. Google was used to locate additional information about industry and government websites that may appeal or prove beneficial to the consumer seeking additional information on strata living. Google searches were conducted using following search strings: multi-owned housing; owner corporation; body corporate; strata title; developer; apartment; master planned estate; MPE; gated community; lifestyle village; retirement village; community association; strata manager; strata industry; and building manager.

Factiva provided almost five thousand articles. I modified the search string so that articles that used the word 'developer' in conjunction with other search terms were retained. Duplicate stories were removed. Duplicates appear when an article from a major newspaper is syndicated to smaller regional newspapers. Further exclusions where relevant were made. For example the word 'apartment' brought up a number of articles relevant to various crime scenes. Other articles referenced economic concerns such as a drop in sales or interest rate. Rental stories were included only where they were able to shed light on the governance structure associated with strata title. A decision was made to exclude all articles under 200 words that contained the search list terms in conjunction with the word 'price'. These were mainly real estate sales too small to contain any reasonable explanation of the governance structure. At the end of this exercise 485 articles remained for consideration. To this I added four blog sites, five industry sites and eleven government web sites from the Google search. The results are summarised in Figure 7 below.

There are over five hundred council and regional planning websites in Australia. A search of each state government's websites yielded little commentary that was relevant to the owner corporation at the functioning stage of the organisation. Regional planning and council websites were therefore excluded from the research parameters. Other exclusions from the web search included industry websites that related to specific businesses, rather than community organisations. These exclusions were necessary since there are over 250,000 strata management companies currently operating in Australia and many have a web presence.

Search Engines	Items Found	Excluded
Factiva	4922 removing the word developer decreased the number of entries to 1825	463 irrelevant 78 duplicates 3097 developer related 799 sales related less than 200 words
Google	4 blogs 15 industry sites 11 government sites	Trade organisations Strata management firms State and federal government sites

Figure 7 Summary of search results

NVivo software was employed to separate out key themes within each article. The articles considered in this section, therefore, represent a range of views across Australia and are not limited to investigative journalism. Indeed articles deemed to be of journalistic merit were few and far between, and would not present the full range of views available to prospective purchasers. The results from this media analysis are discussed in the Chapter six.

While considering print media and websites is helpful in focussing on the way Australia conceptualises strata title, it fails to address the interaction between strata managers and owner corporations. The most appropriate method for this is to conduct interviews with both parties in an interview process.

4.1.3.4 Participant or observer

In the second part of the analysis, I conducted a semi structured interview process with fourteen participants. As an observer, my aim was to remain detached from the people I was interviewing. At the outset I knew none of them and deliberately discounted people who volunteered for interview that I knew. I have stayed in contact with some of the participants and see them at strata network events. Others I see in passing – it is after all a small world. Three committee chairs sent me additional information post-interview.

The participants revealed quite intimate details about their situation during the interview. When entrusted with personal information, it is almost impossible to act in a detached manner towards them. I found at times that I was moved to offer advice on possible approaches to different problems participants encountered, and sought advice as to whether this was desirable before proceeding in this manner. In analysing the interview transcripts, I had to constantly remind myself that I must not take the things I was being told for granted. I attempted to engage critically with

all of the themes that arose during the interviews, constantly trying to find a balance between my own knowledge and experience, and a critical academic stance towards analysing the data. I discuss the process of interview in more detail in the following section.

4.2 The interviews

Interpretive studies, whether face to face or in written form, consider a reality of perceptions and affirm the status quo based on the individual's viewpoint. Individuals have the ability to choose what they believe and act accordingly (Burrell & Morgan 1979) giving rise to varying accounts of a phenomenon. Utilising this interpretive method allows the empirical collection of data based on observations (Neuman 2003). Several such studies have been undertaken in the fields of organisational theory, sourcing theory and urban planning (Clegg et al. 2005; Clegg et al. 2006; Fincher & Gooder 2007; Pouder & Clark 2009; Van Mossel & Staub 2007). Taking this interpretive approach is no longer considered unusual within the subject areas of organisational studies, housing studies or sociology. It is from these bodies of knowledge that the research questions are posed. The interpretive approach places limitations on sample size since the data from such studies is considered both 'rich' and 'thick' (Ezzy 2002). Sandelowski (1995) considers that there is fine line in determining sample size within qualitative research. She claims that sample sizes may be too small to achieve either informational redundancy or theoretical saturation. On the other hand they may be too large to permit the deep analysis that is the basis of qualitative inquiry.

Hughes (1971) on the other hand notes that small size samples can still tell the researcher something of value. It is not so much the size of the data sample that is questionable, but rather the depth of information that it contains. To combat this idea that large sample sizes are a necessity in social research, Hughes (1971, p.ix) stated:

'One of my basic assumptions is that if one quite clearly sees something happen once, it is almost certain to have happened again and again. The burden of proof is on those who claim a thing once seen is an exception; if they look hard they may find it everywhere, although with some interesting differences in each case'.

Whereas, in Sandelowski's (1995) view, determining adequate sample size in qualitative research is a matter of judgment and experience in evaluating the

quality of the information collected, Hughes (1971) considers one detailed interview will suffice for obtaining knowledge about the lived experience of humans within an institutional setting such as an owner corporation. A case study of just one person, providing a depth of information about a given topic is significant research. The objective in this thesis, then, is to analyse both media and a small number of interviews so that the analysis contributes to knowledge of the governance of the owner corporation.

Interviews are powerful tools for obtaining knowledge about human experience and behaviour (Kvale 1996, p. 72). Kvale's (1996) discussion of "miners" and "travellers" within research noted that whereas 'miners' brought the interviewees' underlying nuggets of information to the surface for observation and discussion, "travellers" went on a journey with the interviewee, observing phenomena in situ. In both instances, "the mode of understanding in qualitative research involve(d) alternative conceptions of social knowledge, meaning, reality and truth in social research with meaningful relationships to be interpreted (in which) the subjects formulate in their own dialogue, their own conceptions of the lived world" (Kvale 1996, p. 11). In line with Kvale's views, semi structured interviews were considered appropriate. That is, the questions are probing for information, with few limitations placed on the type or amount of information that is gained. Topics of governance, stakeholder relations, and contractual arrangements are investigated without necessarily reverting to a set questionnaire. This approach allows the empirical collection of data based on observations (Neuman 2003, p. 86). The approach is similar to Pouder and Clark's (2009) strategic study of a gated community, Van Mossel and Staub's (2007) discussion of contract management within community housing facilities management, and Hauge et al.'s (2012) consideration of stakeholder participation in multi-story rehabilitation.

4.2.1 Participant selection

The general approach to seeking participants from the strata industry was through professional organisations such as the Owner Corporation of Victoria (OCV). The strata industry has been supportive of this research, providing a 'letter of support'. They were also instrumental in promoting this study in the early stages through website and newsletters and some of the participants contacted me as a result of reading about the study through this medium. However this process on its own did not identify all the study participants because strata industry newsletters are circulated solely to strata managers.

Apart from the cost of advertising in major newspapers, it was not seen as the most effective way to find participants. Two sampling approaches were considered viable. Ezzy (2002) considers that 'snowballing' is not sufficiently rigorous. It was therefore seen as a position of last resort. Other ways of seeking committee chairs as participants were sought. The first involved advertising through university web sites. The number of part-time undergraduates who juggle study with work seemed to indicate that owners may come forward in this way, and there was a possibility that some staff, living in strata complexes, may come forward. One participant was identified through this method.

To overcome this problem of a lack of owner corporation participants, I sought access to two government databases, TheList and Landata. These databases are government specific land information systems (GIS) websites containing Certificate of Title details for all property within the states of Tasmania and Victoria. The databases were used in a number of ways. Lands Information Systems Tasmania (TheList) was accessed to identify strata developments along with individual owners, and to confirm that the participant was in fact an owner. A random set of fifty strata complexes were identified and a mail-out sought participants from these complexes for interview. A similar set of letters was generated from the Landata database for the Melbourne area. Information from TheList and Landata is public access on a fee for use basis. The databases were also used for checking property ownership details and confirming the status of participants as belonging to an owner corporation.

Melbourne City Council organised a number of forums from 2009 onwards that provided possible networking opportunities for both strata managers and owners. One of these focused specifically on issues affecting owner corporations. I attended with fliers and handed these out in the before and after sessions and at the interval break, introducing myself and the research opportunity to as many people as possible. For specific types of owner corporation, such as those with low stakeholder connectedness, governance structures and professional bodies corporate, a snowball approach become necessary to identify participants. One participant was recruited using this approach.

I conducted six interviews with strata managers and seven interviews with committee chairs. A fourteenth interview was conducted with an owner from within a smaller regional complex that identified as having no strata manager and no functioning body corporate. I gave considerable thought to this interview and

considered that it might provide a reference point to all other interviews, and illuminate what occurred when owners within a strata scheme were left to themselves to sort out governance issues. While the actual number of interviews is not great in terms of volume, they provided both 'rich and thick' accounts of how the owner corporation functions. Combined with the additional information gleaned through document and media analysis, I sought to achieve my aim of presenting comprehensive, well rounded research.

In the end, all the strata managers who participated in this research were identified and recruited via contacts within the strata industry. Two owner corporation chairs contacted me through university websites. Four participants contacted me in response to the leaflet drops. One participant was both a small time strata manager as well as a committee chair.

4.2.2 The litmus test

While several offers of participation occurred through word-of-mouth, selecting participants requires a much more considered approach. Litmus tests are applied where the participants need to meet specific criteria, or to exclude participants that do not meet a desired profile (Babbie 2004). Since the research focus was on the organisational aspects of the strata mechanism, a litmus test (see appendix 1) was applied to exclude participants who did not fall within the criteria of the test. Specifically I excluded owners who were not committee chairs, or were unable to speak in an official capacity about the issues relevant to a particular complex. Litmus tests are used as a way of pre-screening participants so that only those participants who best meet the research criteria are interviewed. The litmus test was used to exclude participants in the following categories:

- Strata complexes that were less than six years old were excluded. This is important because the mandatory builder's liability insurance expires at the end of six years. I felt this would reduce confusion between maintenance issues and valid insurance claims when talking to interviewees.
- Strata complexes that were under builder's warranty were excluded. I felt that there would be less confusion between maintenance issues and valid insurance claims when talking to the interviewees. I wanted any contractual information to be at the owner's behest where possible and not reliant on the builder.

- Strata complexes where legal disputes were evidenced or likely to occur were excluded. These were excluded to ensure privacy of the participants. I did not want any information from the interviews to be used in court at a later date and nor did I want participants to be identified through court documents.
- Owner participants who had a functioning owner corporation were required to be on the committee of management, and preferably the chairman. This is because I wanted the committees' view, not individual owners.
- Strata complexes that were 100% commercial in orientation were excluded, that is they needed to have some residential occupation. The issue of commercial strata while interesting is outside the scope of this thesis.
- Community title schemes in which owners with shared values come together with the specific purpose of creating shared lived space were excluded. Community title schemes are outside the scope of this thesis.

For these reasons then, only building complexes that have been in existence for at least 6 years have been included. This time frame excludes complexes that are still under builder's warranty and provide time for the owners to exit the forming stage of an organisation and move into the performing stage. Moreover it allows time for developers to relinquish any interest in the building complex through on-sale of strata units. Owner corporations that were involved in legal disputes were also excluded. While this may have been seen as an indication of a low performing type of organisation, I took the view that becoming involved in an area of legal dispute was in itself problematic, given that were it to be published and come into the public domain, this information could be easily traced back to the participating organisations. I could not guarantee anonymity and thus I may eventually harm those who sort to assist me. It was also important to me to select those organisations where the main focus was on residential ownership.

There has been a recent spate of advertisements for the sale of commercial strata titled properties. These fall across a continuum including offices, warehousing, hotel rooms, short stay apartments, and self-storage space. It was considered that the owners of these complexes are more likely to operate from a business perspective. At a minimum, I sought mixed-use complexes that included residential strata property or solely residential complexes for this research. Community complexes presented a difficulty because many are strata titled. Community

complexes were excluded on the basis that these owners come together with the specific intention of forming a community that meets their needs. This is in keeping with McKenzie's (2006a) view that these complexes are formed by people with likeminded ideas, who have means within their by-laws and legislation to exclude prospective owners who do not meet the community philosophy. He goes on to state that they are generally high functioning with fewer disputes as a result. This type of ownership appears to play a minor part in the emerging strata industry landscape in Australia. For these reasons, community based strata title organisations were excluded from the study.

4.2.3 The interview process

Strata managers are busy people. While I was advised to find a neutral place to interview in, strata managers were less than enthusiastic about attending. Some were based in the suburbs or regional areas. Some had offices within high profile CBD buildings. One was working from a converted garage at the rear of his house. I conducted interviews in all these locations during this research. Some committee chairs wanted me to come and see their building. Others were more reticent and willing only to meet in a public place of their choosing. Given that all the committee chairs were female, this may have been a gender/ safety response. Participants were advised they could stop the interview at any time should they choose to do so. The most difficult interview was held in a café with attendant noise background problems. The participant was well known and there were frequent interjections from people passing by.

All interviews were recorded. Once completed, tapes were transcribed verbatim. There was some discussion as to whether this was necessary. I was advised by various academics within the university to transcribe 'thinking of quotable material only'. However transcribing the interviews myself, and in their completeness, was important because it enabled me to immerse myself in the interview data, and to reflect on the issues being raised. It also allowed me to hone my interview technique between interviews. However the deciding factors were anonymity (for the individual) and confidentiality (about who said what). Participants had been assured their identity would be protected. My ethics application had identified the possibly of commercial-in-confidence matters being breached. For example, should an owner corporation raise issues of performance or facility degradation, and this information become generally known, a decrease in asset price might follow affecting the owners financially. For strata managers, information shared in

interviews could potentially result in commercial harm to their business. Thus participant information was decoded by assigning an alphabetical suffix to the participant.

The transcripts amounted to over two hundred pages. I was advised to use a simple thematic filing system. I began by reading and rereading the transcripts in line with Ezzy's (2002) advice. I began with piles of quotes cut and placed in a pile on the floor. However, I soon discovered this approach was inadequate to the task. Instead I coded the electronic word document using four colours within the electronic Word document itself to identify each of the four themes. As themes and subthemes emerged, I moved the transcripts to NVivo and attended workshops to develop new skills. The question that arose was on what basis quotations were being assigned? In response to this I used a code book which met the requirements for rigorousness in research. I restarted the coding procedure using NVivo, ultimately identifying the four key themes noted above as well as three emergent themes within the interview transcripts¹².

4.3 Introducing the participants

It is usual in qualitative studies to provide some context or background information about the respondents. Due to ethical considerations attached to 'commercial in confidence' material provided by some respondents, and the possibility of commercial harm occurring should respondents or individual complexes be identified, descriptive material has been kept to a minimum. Limited vignettes of the participants are included here.

The fourteen interviews were conducted over a two year period. There was no conscious effort to ensure that an equal number of strata managers and committee members were interviewed. However, half of the respondents were strata managers. One of the strata managers acknowledged owning strata property and sitting on two committees of management. None of the strata managers came from a real estate background. The strata managers came from a variety of backgrounds including finance and banking, construction aligned industries, and general business backgrounds. One was a small time developer. Six of the

¹² See Parts D and E for a detailed discussion of the study's findings, new theoretical horizons and future directions for research.

management companies were licensed within the state of Victoria. One was not licensed in that state, but operated within it. The Victorian licensing system is designed to ensure that strata managers hold minimum levels of professional indemnity insurance. The licensing system is not designed to assess the professional capability of licence holders.

Six respondents (excluding the above mentioned strata manager who was an owner-occupier within a strata development), were property owners who sat on the committee of management within their strata development. Five respondents identified themselves as owner-occupiers. Two respondents were investor-owners, though all of the seven committees of management appeared to have a mix of owner-occupiers and owner-investors. One respondent identified herself as coming from a self-managed complex that did not have a strata manager.

Two emails were received. While these two emails are from owner corporation committees who chose not to participate in the study, their reasons for not doing so are interesting and also shed light on issues of governance, participation, professionalism, sourcing strategy and capacity to function within the strata industry. Permission to use the emails as part of this research was obtained. I now turn to introducing the interview participants.

Strata Manager A

Strata Manager A is the owner of a medium sized firm of strata managers. He employs around ten staff, six in a full time capacity. He is active within various industry bodies. He describes a typical complex that he manages as suburban, with approximately one hundred residential units. They are a combination of older two and three story walk-ups and newer apartment complexes. Strata Manager A has worked in the strata industry for about a decade. He has a varied background which he describes as primarily administrative. He has worked as a factory manager and small business manager. This is his first foray as a business owner. Strata Manager A provides administrative services to the owner corporation and arranges facilities management works for them when asked to do so.



Figure 8 Typical strata complex managed by Strata Manager A

Strata Manager B

Strata Manager B is the owner of a medium sized firm of strata managers. He describes a typical strata complex as about 8 middle ring units or apartments that are less than 10 years old. The firm is located within a suburban, commercial strata complex, close to the properties that he manages. He has four permanent staff. Strata Manager B has a varied background including retail within various family businesses, and has worked as a small time developer in conjunction with his uncle. He felt that becoming a strata manager was an associated growth industry and a natural extension to his previous property development role. His previous café work has allowed him to hone his customer service skills which he believes to be a crucial part of his work.



Figure 9 Typical strata complex managed by Strata Manager B

Chair C

Chair C has been the committee chair of her owner corporation for one year. She is an owner-investor in a large mixed use development in the inner city that is six years old. There are several developer mandated sub corporations running in this complex as well as an umbrella one. An external strata management company is employed. Chair C bought her unit 'off the plan' and she identifies governance issues and costs as the reason that she stood for a committee position. Her background is professional and allied to the construction industry which she sees as a benefit to her strata community as she is used to the technical jargon and managing contracts within that industry.



Figure 10 Typical strata complex that Chair C purchased into

Strata Manager D



Strata Manager D works for a large national strata corporation. Their Melbourne office is located within the central business district. Within the Melbourne office, there are approximately forty employees. The company has identified a number of key areas of expertise that strata managers need and has arranged their roles accordingly. Thus there is a core group of technical employees, those with financial experience who look after the accounting side of the strata corporation, and those who act as the 'face' of the company. These are the strata managers whose role it is to interact with the 'customer' base. Strata Manager D talks of the future of the strata industry and his company's role in shaping it. The company acts as manager for both large and small unit complexes across the city including some of the central business district buildings. Within the company, Strata Manager D's role is that of the newly created 'business manager'. His role is to be the face of the company, meet with potential clients and discuss the needs of the strata committee with them. In conjunction with other in-house expertise, he then prepares the quotations for them to consider. Once engaged by the client, the file and duties are then passed on to one of the in-house strata managers.

Figure 11 Typical complex managed by Strata Manager D

Chair E

Chair E is a woman who retired to Melbourne from Sydney two years earlier. In Sydney, she had also owned an apartment, so this is her second foray into apartment ownership. Her apartment is an exquisitely appointed, double story, penthouse in an historic building. She is very proud of the history of her complex, and seeks to raise the profile of the building. Chair E enjoys the excitement of living in the city centre and has a wide circle of friends in other apartment buildings. She has lived in the complex for about four years and been a committee member for all of that time. She is now the committee chair. Her complex has an external strata manager, though this was not always the case.



Figure 12 Typical strata complex that Chair E purchased into

Strata Manager F

Strata Manager F is a franchisee strata manager who bought his business within the past year. He deals with larger regional towns where most of the complexes are low-rise townhouses with less than 20 units. He identifies many of his own shortcomings and is reliant on the 'network' of other franchisees to assist him. He is a sole trader. He needs to provide additional services in order to make 'the sale'.



Figure 13 Typical strata complex managed by Strata Manager F

Strata Manager G

Strata Manager G is a strata manager whose professional background is allied to the construction industry. He is firm about the benefits of being allied to professional bodies and the ethical support that they bring. Strata Manager G also works in a regional township where the focus has shifted from suburban single story units to high profile waterfront apartments and strata title retirement villages. He describes a typical complex as containing around 30-40 units some of which are commercial in nature.



Figure 14 Typical strata complex managed by Strata Manager G

Strata Manager and Chair H

Strata Manager and Chair H is a business person affiliated with the legal profession. Strata Manager and Chair H owns both commercial and residential strata property across a number of inner city apartment complexes. Strata Manager and Chair H sits on the committees of two properties that also have external strata managers. Strata Manager and Chair H has recently resigned as chair of one committee in order to become the strata manager for the owner corporation. Strata Manager and Chair H admits to being naive about the property at the time of purchasing into this last building. Strata Manager and Chair H speaks from both the committee chair point of view, but also the strata manager point of view. Strata Manager and Chair H manages only a handful of strata property complexes and these are generally small scale suburban complexes for family and friends. It is a new area of business that shows future potential for this respondent. There are insights gained from legal training. This interview gave me most concern over how to use the interview material as much of the material is so specific that it would become easy to identify Strata Manager and Chair H.



Figure 15 Typical complex that Strata Manager and Chair H interacts with

Chair I

Chair I is a retired country school teacher. She owned her middle ring suburban walk-up for about 12 years before moving into it two years ago. She has been on the owner committee of management for about seven years, and has been committee chair for the past year. She describes her complex as 'settled' with not too much movement. Her complex has had the same strata manager for seventeen years.



Figure 16 Typical strata complex that Chair I has purchased into

Strata Manager J

Strata Manager J is the youngest of the strata managers interviewed. He also runs an allied facilities management company and employs about forty people. He has been active within various professional bodies and considers himself to be a good operator who frequently up-skills his staff. He manages some of the most high profile buildings in the city but describes a typically managed strata development as a mixed commercial and residential complex of around 100 units. He has a preference for managing the newer buildings and likes to get in on the 'ground floor'.



Figure 17 Typical strata complex managed by Strata Manager J

Chair K

Chair K was until recently an owner occupier within a large multi-story complex in the central business district. There are a number of sub-committees attached to the owner corporation structure. These are a combination of developer mandated and committee appointed sub-committees. She has been the committee chair for over five years. As well as her apartment, she owns strata property in an industrial zone and describes herself as a business woman. She has actively lobbied for change to the current legislation and is interested in creating networks of owners. There are strata managers appointed for both complexes. Due to an insurance issue she has had to move into rental accommodation.



Figure 18 Typical strata complex that Chair K has purchased into

Chair L

Chair L is an inquisitive middle aged advocate and social worker. She lives by herself in what is essentially a 'Jekyll and Hyde' suburb close to the city centre. Parts of it are extremely unsavoury, prone to violence, prostitution, and extreme disadvantage while the shopping strip and natural attractions are a drawcard to day trippers and tourists. She moved into the neighbourhood some 25 years ago, and has lived in several houses and flats in that time as a renter. She purchased her 1970's strata titled flat about four years ago and this is her first excursion into home ownership. There are two, three story walk up blocks of un-renovated flats in her complex.



Figure 19 Typical strata complex that Chair L has purchased into

Chair M

Chair M is an owner occupier in a small suburban complex. The strata complex is located in an older, middle ring suburb. Her background is in contract management. Originally it was one home built in the 1940's that has now been subdivided through the application of the stratum title. She purchased into the complex some four years ago. Since purchasing and moving into the complex, the adjoining strata property has been a rental property. It changed hands two years ago. There is no strata manager involved and there are no regular meetings. Technically, the owner corporation is in breach of its legislated duties as there are no formal meetings.



Figure 20 Typical strata complex that Chair M has purchased into

Chair N

Chair N is a businesswoman. She is an owner-investor with two strata titled properties, both in regional townships, but in different complexes. They are both short to medium term lets, one bedroom furnished apartments in central locations. She has previously lived in one of the apartments, and frequently stays in the other between tenants as a kind of holiday home. She would like to live in it fulltime, but finances are a bit stretched. She is on the committee of both complexes and Chair of one, even though it means long and time-consuming air travel to attend meetings often at short notice.



Figure 21 Typical strata complex that Chair N purchased into

4.4 Conclusion

This chapter has introduced the three methods utilized in this research as:

- A review of reports, Australian print media and websites.
- The use of in-depth, semi-structured interviews, conducted and analysed using a thematic approach.
- Review of relevant academic literature from a sociological and management perspective.

The approach is not unlike that of Pels (2000), Creswell (1998) or Mills (1959). These methods were selected as a way of drawing out the four themes of governance, participation, sourcing or buying-in and expertise/professionalism, identified in the literature review.

This chapter introduced each participant that was interviewed. It also identified specific measures employed in the qualitative section of this research project. I discussed the semi structured nature of the interview questions in terms of qualitative research techniques drawing on both Ezzy (2002) and Kvale (1996). I have described how I identified and recruited participants and how by applying the litmus test (Babbie 2004), I identified the criteria for exclusion from the study. The use of Landata and TheList were identified as tools to check property ownership. Ultimately NVivo was used as an aid to managing and identifying key themes in the transcripts.

In chapters five, six and seven I analyse the transcript information and begin to draw conclusions about structure, processes and procedures within the owner corporation environment.

Part D - The Study

Chapter 5 –Strata title property in print media and websites in Australia

5.0 Introduction

Sociologists have viewed housing tenure as critical to shaping a person's life chances. Lack of stable housing has been associated with poor health and educational outcomes resulting in lower work participation rates. The ideology of home ownership has been a central component in shaping policies and practices within Australian society. Strata titled housing has increasingly become a visible form of home ownership.

The approach taken acknowledges the importance of socio-cultural factors impacting on the growth of this type of real estate product. It also acknowledges that home has traditionally been a site for the construction of identity and meaning (Dupuis & Thorns 1998; Leonard et al. 2004), in this case shared meaning of the way in which Australians increasingly live. Feeding into these concepts, home as a physical asset has changed in meaning as the ability to access home equity to purchase other lifestyle products has increased. Identities are no longer constructed around what we own, but rather what we can borrow against what we own, to fund lifestyle choices. One of the lifestyle choices that are made is where we live. I stress at this point that tenure choice is often a bounded choice. The choice is made within the confines of what we can afford, what we are familiar with and what our perceived needs are.

The first section of this chapter sets the background for discussion of two particular studies, that of Blandy and Lister (2006) and Goodman and Douglas (2010). I provide a brief description of their work and identify the gap left between these two articles in terms of purchaser knowledge of the owner corporation environment. I then consider what, if anything, may be gleaned through the print media and websites by this group of purchasers. As part of this investigation I present a thematic analysis of what kind of knowledge is most likely to be made available to these prospective purchasers. The final part of the chapter outlines policy implications going forward for the strata industry and purchasers

5.1 The Australian context

Academic historian Charles Pickett and Powerhouse Museum curator Carolyn Butler-Bowden provide a clear picture of Australia's love affair with apartment living in their 2007 book 'Homes in the Sky: Apartment living in Australia'. I have used their research to present a historical snapshot in which to contextualise Australia's

growth in strata titled property. Australian landed gentry have had a history of owning secluded townhouses in blue chip suburbs as a getaway from extended country life. During the 1950's, the townhouse concept was popularised to become a beach getaway for city dwellers. Yet it was not until the 1960's that Australia embraced the strata title mechanism. In previous eras, town house ownership relied on 'stock' housing in which prospective owners purchased shares in a property along with the 'right of abode'. The trading of property shares in town houses and apartment dwellings was subject to the approval of the governing shareholder board. The shareholder board had the right to veto a purchase where the board determined that the new owner would not 'fit in' with the lifestyle of existing owners. In this way, town houses became sites for the generation of 'exclusivity' in which class structure was maintained.

From the 1960s, freehold housing stock has been replaced by strata titled housing in the form of apartments, MPE's and gated communities particularly in inner city suburbs. Creating a strata scheme allows the developer to increase the number of saleable lots in relation to land size. With strata titled property, the developer on-sells his interest, often at the earliest opportunity to pay down debt accrued during the building process. Developers are profit driven. That is, the person who creates the organisation has little or no ongoing interest in its ability to function into the future. This unusual circumstance creates a unique organisation in which new owner members may be unaware that they have joined the organisation, since the purchase of real estate does not always draw attention to the compulsory nature of belonging. The advantage over stock housing as defined by McKenzie (2006b) is that, for strata titled properties, individual titles are issued for each lot and there is no reliance on the existing owners to approve the sale of individual properties. However it also takes away a means of ensuring that collectively, owners have similar values, attitudes and aims for their property, all of which make the functioning of the governing body easier. Bagaeen and Uduku's (2010) edited work considers the history of gated communities in particular. The selection of academic papers contained within this work predominately provides a view of settled communities in which owners work together for mutual benefit. The view that gated communities have existed for long periods in near harmonious circumstances has also been noted by other authors. For example Jurgens and Landman (2006) note the south American experience as being inclusive, with frequent working parties to keep vacant allotments tidy and street parties that extend to those who have opted

out of levy payments. The commentary on western style strata communities is somewhat different. Stemming from the United States, strata titled communities were a bastardised form of Howard's utopian city in which the worst aspects were kept and lip service only paid to the idea of community (McKenzie 1996). Governing bodies have reported significant amounts of conflict within owner corporations (Blakely & Snyder 1999; Blandy & Lister 2006; McKenzie 1996). Conflict falls within two key realms. One is the adherence to rules and standards of behaviour. The other area of conflict is over required maintenance, cost of maintenance, and the cost of levies to run the complex generally.

The amount of interpersonal and intrapersonal conflict experienced within complexes has the ability to impact on ontological security within the home realm. Dupuis and Thorns (1998) for example link ontological security to the concept of home within transitional suburban environments. They note that home is a site of constancy in social and material environment; a spatial context in which routine existence is formed; where people most feel in control of their lives and are free from surveillance. It is the secure base around which identities are constructed. The contractual relationship between owners and joint ownership of common areas such as lifts, lobbies and corridors, services roads or parks, has the ability to threaten ontological security as voiced by Dupuis and Thorns (1998, p. 27), since exercising rights over these areas is no longer in the realm of 'close family relationships'. Surveillance by others occurs within the common areas and the constancy of social and material environment cannot be guaranteed within the common areas. Routine may be disrupted by the needs of others living within closer confines. Australians, like Dupuis and Thorns' New Zealanders, dream of home as a freehold block in which one can be 'oneself'. Accordingly, the increase in living density is at odds with this dream and the ontological security that it provides as a place to be oneself. Therefore, the amount of conflict reported within strata complexes can be seen as an expression of tension between the dream of home ownership and the reality experienced within higher density strata environments. It is to probe this tension further the research reported here was undertaken.

I draw now on two particular studies undertaken in recent years to explain the research gap that this chapter fills. Blandy and Lister (2006) undertook a pilot study of a newly built gated community comprising converted stand-alone housing and apartment dwellings in England's Sheffield area. A combination of questionnaire

and semi structured interview method was used with the majority of residents having moved into the estate within the previous six months. The original motivation to move into a gated community and their actual lived experience were therefore able to be assessed in relation to each other. In Blandy and Lister's (2006) research, only two residents were aware of the legal structure of the community they had bought into prior to purchase. Over half the interviewees were confused between the governing resident committee and the professional management company employed by the committee of management. Owners were unclear about their role within the governing structure, their officers and their roles. Some interviewees were unaware of governing rules or did not know they had to pay levies in addition to their council rate obligations and mortgage payments.

Blandy and Lister's (2006) research found that maintaining property values and security were significantly more important to most purchasers than ideas of community. It was noted that contact between residents did not necessarily develop into friendship. This confirms the idea that home within this type of complex does not always extend to common areas within complexes. Home owners do not necessarily feel responsible for the common property. Similarly, in an Australian study in the city of Brisbane, Walters and Rosenblatt (2008) found that while a nostalgic sense of community was appealing to many purchasers, few actively engaged in participative practices. Of greater importance however is the way these weak neighbourhood ties translate to the idea of participative management.

Alexander (1994) for instance found that residents may become active in deteriorating conditions (where their ontological security is threatened). Blakely and Snyder (1999) noted that owners actively volunteered outside their gated communities rather than for their home owner associations, thus leaving a small group to undertake most of the work. They further noted that these willing workers were sometimes ostracized by their community and were subject to threatening behaviour by other community members, who were unable to get their own way. These studies provide glimpses into some of the root causes of conflict within strata communities noted in an increasing number of studies. In particular Maxwell (2003) indicates that strangers are often bought together within these communities in a way that is not representative of wider society and without the benefit of understanding the contractual obligations and ramifications that bind these groups of strangers together.

This point is elucidated further by Goodman and Douglas (2010) who undertook a study of websites promoting MPE's in Melbourne Australia. MPE's are a form of strata titled community often containing mid and low rise detached housing similar to that contained in Blandy and Lister's (2006) study. However they do not contain the physical structure of gated compounds that limit entry into the estate which are a key security feature of gated communities. Goodman and Douglas used content analysis of publicly available websites noting that websites are often the first point of contact for prospective purchasers of off-the-plan property. Their aim was to understand how much information about the governing structures was provided to prospective purchasers. Their sample included ten developer websites in which homes within MPE's were being sold off the plan. Participant observation of one estate was included since one of the authors had already purchased within the targeted MPE. They found that notions of close knit community are often melded with luxurious resort lifestyles and promoted through personal recommendations of those who have recently purchased within a complex. Goodman and Douglas found that of the ten 'off the plan' developer sale sites, only two developers referred to a governing body. In one instance the developer referred to the governing body as a glorified social club that residents could join if they wanted to, thus advertising a gregarious and close knit group of owners. Six of the websites promoted a sense of community as a selling point indicating that luxurious surroundings were a greater selling point than belonging to a community. The concept of luxurious, community owned facilities were depicted on all websites, often in great detail. The mandatory nature of belonging was mentioned on only one web site. The research findings that I have summarised here are important because they point to why Blandy and Lister found that so few residents were aware of the governing board, community assets that need to be maintained and the rules that could be imposed on owners within the complex.

Failure to understand the complexity of the new governing regime may impact on the asset value of the estate and hence individually owned property. The maintenance of asset value was seen as a drawcard in Blandy and Lister's research despite owners failing to understand the nature of the governing body and the compulsory nature of belonging (see also Low 2006). Using pooled data, Langbein and Spotswood-Bright (2004) found that high levy fees within complexes depressed asset value in comparison to similar properties with lower fees. However the involvement of professional management somewhat mitigated the

effect of higher levies on asset value. The question remains as to how applicable this research is in an environment where owners are not aware of the governing body, the nature of belonging, the requirement to pay levies or the existence of professional management prior to purchase.

To develop this theme further, I consider the fact that the number of new dwellings that come onto the market each year, whilst significant, is outnumbered by the sale of previously occupied property. That is, only a portion of prospective housing consumers purchase directly from the developer. Moreover, developers of smaller complexes are more likely to mediate sales through real estate representatives or realtors. The real estate industry then, along with the developer, becomes a key structural influence in creating notions of how Australians view living within a strata complex whether MPE, gated community or apartment complex. It is through media advertising and infomercials that most real estate is sold.

5.2 Home and the media

Media has long been a site for the construction and reconstruction of identity. For instance, Mills (1958) considered that the structure of society was created and replicated through the media. For Mills, structural forces that shape and confine society were able to marshal the media's power and present key messages repetitively to a relatively unquestioning mass society. Society was therefore governed by an elite who were able to set the agenda on any issue. Of course Mills' (1959) work needs to be updated in view of subsequent research developments. The globalised environment allows faster access to information through a variety of means. The internet is just one example of the way in which populations are able to garner new information to counteract the oppressive views that Mills discussed.

Print media images and text provide us with a particular way of viewing the world. Jacobs (2011) considers that 'our knowledge (of the world) is always discursively constructed in that what we see in the world and how we see the world is affected by ideology and culture', that is knowledge is mediated through the views of others. Mills' (1959) work assumes that consumers are fed messages constructed to mould the views of a gullible or non-empowered public. However Hall (1986) mediates this view, contending that media reporting reflects existing power relations, making it difficult but not impossible for non-empowered groups to challenge existing narratives. However, the expanded use of internet sites makes it easier for non-empowered groups to challenge existing narratives. The Joseph

Kony 2012 campaign (ABC 2012) is an outstanding example of how human agency is able to positively influence structural narratives or create new ones. At a local level, the use of 'letters to the editor' provides a forum for the debate of structured media messages and has the capacity to power relationships. However letters as well as media stories are always selected and packaged through the lens of the editor and what messages will sell.

Hall (1986) notes that media representations are not pure but the product of human agency and therefore deeply embedded in power relations. The stories that are told and re-told about housing and home are constructed with various messages in mind. Tapping into these messages about strata titled housing and how this shapes Australians' viewpoints is a key objective of this research. Apart from Goodman and Douglas's (2010) developer website content analysis, a number of themes are evident in current media and have been commented on. Leonard et al. (2004) for example used magazine print media to highlight the messages fed to homeowners about the way in which they live and create self-identity through material object selection. Leonard et al (2004) argue that a New Zealander's sense of home is constructed not just between household members but rather through print media who become the arbiters of what is 'tasteful' and 'decorative' and therefore acceptable. Hope and Johnson (2001, p. 131) take this idea further arguing that advertising is a form of coercion that 'promises hope rather than understanding'. This highlights the emotional elements of home that advertising and media stories tap into. As Dupuis and Thorns (1998) assert, home is a place to which we are emotionally as well as physically linked. It is no wonder then that media has the power to shape and construct our reality.

5.3 Results

In line with Leonard et al. (2004) a thematic approach to the articles was developed. The majority of articles related to real estate sales. These contained information on both new and pre owned apartments for sale as well as new developments. Figure 22 provides an overview of the key findings.

I then select four themes to consider in more depth before focusing on the analysis of Google located websites.

% of included articles	Media & website breakdown	Major themes	Minor themes	Missing commentary
43	Real Estate Sales	<i>Position, convenience, luxury, views</i>	<i>Affordable, target groups</i>	<i>Governing body or structure, levies, security, community</i>
28	Non classified media stories	<i>developer activity, investment opportunities, affordability</i>	<i>Social housing</i>	<i>Governing body or structure, levies, services maintenance, security, community</i>
14	Specific multi owned issues	<i>Governance, participation, professionalism,</i>	<i>Pets, children, conflict</i>	<i>Contracts, education, security community</i>
8	Development applications	<i>Height, density</i>	<i>corruption</i>	<i>Governing body or structure, levies, services maintenance, community, security</i>
3	Strata Industry Websites	<i>Professionalism,</i>	<i>Lobbying, communication</i>	<i>Owners, contracts, community,</i>
3	Strata Government Websites	<i>Governing body or structure, levies, maintenance, community</i>	<i>Rules, conflict resolution</i>	<i>Education, contract management</i>
1	Strata blog sites	<i>Governing body or structure, levies, maintenance, community</i>	<i>Tenant issues</i>	<i>education</i>

Figure 22 Thematic summary of media and websites

5.3.1 Print media

In this section I discuss the results from the print media search conducted through Factiva and analysed through NVivo. Overlying the following discussions of real estate sales and development applications is the interplay between structure and agency. Glasze (2006a) provides diagrammatic insight into the way globalisation, urban governance and the spread of private ‘club’ neighbourhoods interact within a structure and agency setting. He considers that, in the regional context, governance of private neighbourhoods provides time-space, specific patterns of actors and their interactions. Moreover institutions produce path dependency and increase or lower the attractiveness of the model of the ‘private neighbourhood’, whether apartment or gated community. As such private neighbourhoods have the ability to ‘become’ or ‘not become’ a reasonable option for involved actors. According to Glasze (2006a), much of this depends on the liberalisation of the private real estate market and the diffusion of a successful real estate product to the marketplace. I begin with consideration of real estate market in the first instance.

5.3.1.1 Real estate

This section contains almost half of the print media stories. Real estate articles included information on both individual apartments and new developments. While many were sale advertisements, there were also feature articles and infomercials common to the real estate sections of daily and weekend newspapers. Few of the articles provided any mention of the owner corporation, governing structure or strata title mechanism. Only those advertisements published by the *Sydney Herald Sun* consistently noted the annual or quarterly levy payable to the corporation. Two units were sold under the banner of 'No body corporate fees', hinting that fees payable to an owner corporation are undesirable to the average consumer of strata property.

The primary themes arising from the real estate commentary are of luxurious surroundings and expansive views in central locations where no car is necessary.

'Cinemas are making their way into high-rise apartments, and luxury day spas into what used to be the humble retirement village' (Mario Xuereb, Home, suite home, all part of the plan, *The Sunday Age*, 27 April 2008).

'The central location meant that few car spaces were required' (Ian Royall, Residents want inquiry into controversial development, *Herald Sun*, 2 April 2008)

This commentary is largely consistent with the integration processes associated with structural domination of developers and planners. It is a way that meaning is applied to the concept of the walkable city and then sold; that is you do not need a car because (a) the apartment is so luxurious that it meets all your needs and (b) it is so conveniently located that you will not need a car parking space. There were emergent themes as well. A small percentage of articles referred to the apartments for sale as 'affordable' and 'entry level'. Given that these articles did not provide information on levies, the affordable aspect related only to the purchase price range. Housing affordability is a key issue for Australians (Yates & Wuff 2005). The theme of affordability is designed to lure young, first time home buyers who are unable to raise additional finance for the 'luxurious' lifestyle. This was identified by Leonard et al. (2004) as a significant theme for first home owners in New Zealand. A second emergent theme, and one that has been raised in the literature by Low (2006), is marketing to specific ethnic groups, in this case those of Chinese extraction. Age-specific marketing was also noted:

'The Zen Property Group and Usher Powell Developments are creating what they say is Australia's first dedicated feng shui apartment project, which they have named Harmony Broadwater' (NN, Aiming For Harmony Development boost for bay, *The Gold Coast Bulletin*, 30 April 2008).

'Mr Buxton said the concept had worked, and he had more Gen Y inner-city developments planned' (Mario Xuereb, *The Age*, 28 April 2008).

'The 57-apartment luxury complex for people aged over 55 would include a roof top garden, concierge, hairdresser, day spa, gym, theatre and pool' (Danielle Crowe, Residents say proposed retirement complex too big, *Manningham Leader*, 30 April 2008).

Three articles were specifically angled at the Gen Y age group with the developers of these complexes openly stating that this was their purchaser target, though most targeted articles fell within the active aging, over 50's, 'lifestyle' village areas.

5.3.1.2 Non classified media

Non classified media articles represented twenty eight of the total articles collected from Factiva. A wide range of issues were reported. However few related directly to the governing structure, and consequently I do not intend to delve into these articles. Themes covered included developer activity, developer and government corruption in the building industry generally, investment opportunities for astute purchasers, affordability of housing, and announcements of affordable housing initiatives including social housing rental schemes. Many of these themes highlight the linkages between key players such as developers, planners and political players identified as key power brokers at the structural level and as such, able to write and apply the rules associated with domination as identified in the literature review.

5.3.1.3 Development applications

Eight per cent of articles located through Factiva related to development applications for planned strata titled complexes. Councils and planning authorities have a vested interest in promoting strata titled complexes. When strata complexes are built the number of rateable properties increases, while provision of and maintenance for infrastructure is outsourced to the developer and governing board of owners. The majority of articles reported opposition to higher density developments by existing residents of broadacre suburbs. Opposition was primarily

based on the imposing height of the proposed building rather than an outright rejection of apartment dwelling:

'The plan provoked more than 5000 submissions to the council, thousands of anti-development signatures and plenty of celebrity boos and hisses' (Peter Barrett, Home Coming, *The Melbourne Magazine*, 23 April 2008).

'It will ruin the character of the area' (Danielle Crowe, Residents say proposed retirement complex too big, *Manningham Leader*, 30 April 2008)

'Mosman Park resident Colin Percival said residents wanted a development on the site but a 50m building towering over their homes was unreasonable' (Hatch D, *The West Australian*, 4 April 2008)

Where reported, councils rarely voted against development applications for high density residential complexes, signalling their vested interest in increasing the number of rateable properties despite the direct conflict with their constituents desires. Councils voiced dissatisfaction with a development usually because the developer was not meeting the conditions of the planning permit in some way; that is, the developer wanted to change the conditions of planning approval already agreed with councils and permit authorities.

A minor theme was that of perceived corruption within the planning system as noted below:

'When the Labor Party accepts donations from a developer who has a major development application being determined by a Labor planning minister, there is a blatant conflict of interest' (Matthew Benns, *Herald Sun*, 6 April 2008) [spelling in original text].

The articles in this section support and extend McKenzie's (2006a) and Jurgens and Landman's (2006) view. They question a council's impartiality in relation to development applications for higher density strata living to all levels of government. The articles also shed light on the legitimization processes that developers and planning authorities use in order to mesh their desired outcome for more rateable properties within the structural rules and resources available. In this instance, the permit condition has significance at the planning stage, but becomes an enforceable rule at the building stage. The planning process that includes democratic voting by representatives (and hence lobbying by constituents)

becomes a means through which agency can be enacted. These issues are conducted in the 'past' time space as discussed in the previous chapter.

5.4 Specific strata title issues

This section includes all the Google located websites and some print media articles. While this theme related to just fourteen of the included print media articles, they provide the most pertinent information. Also included in this section are the websites and blogs found through the Google search. Considerable thought went into the classification of these articles and websites. One option was to continue classifying articles in relation to specific topics such as luxury and affordability. However the information brought attention to the committee and focussed on the emergence of the strata industry or building managers requiring a different approach. This approach was divided into four sub-categories of governance, stakeholder connectedness, professionalism, and contract issues. Many of these areas were discussed in the context of the developer influence.

5.4.1 Governance

Governance as discussed by Briand and Bellemare (2006) is considered to be a legitimisation process that involves norms, values and rituals. Governance is good management underpinned by performance and use of public money, engagement and good outcomes. It is a key organisational construct that has been linked to the strata environment by Glasze (2006b). Grouped in this selection of articles were references to the committee of management's role, by-laws, levies and insurance issues since these relate to the implementation of legislative requirements, systems of accountability and transparency through committee ratification and processes in place for establishing by-laws and levies. Examples of articles included in this category are an owner who bought into a complex on the condition that she be allowed to bring her 13 year old dog with her, only to find that the governing body had voted to withdraw approval prior to the sale being completed (Allan Lander, Secret ballot over dog, *Sunshine Coast Daily*, 23 April 2008).

Other articles highlighted how developers are able to limit the functioning of the owner corporation even after practical completion of the building stage. An example of developer influence after completion and handover to the new owners was seen through the setting up of contracts that bind the owner corporation in ways that may not be in their best interest.

‘According to Mr Winchester, some contracts give the developer up to three years to register the strata plans, which may cause lengthy delays’ (N.N., Anger over two-year wait, *Sunday Times (Perth)*, 27 April 2008).

‘The developers have also cut out car parking and rented out communal space to outside businesses to reduce body corporate fees’ (Mario Xuereb, *The Sunday Age*, 27 April 2008).

When developers rent out space that is communal, it limits the organisation’s ability for self-determination in terms of what the owners want to do with that space. In this instance, the marketing material for the building complex included allusions to an on-site bar, well-being centre including spray tans and massage, outdoor cinema and library. However all of these facilities were in fact private businesses operating out of the building complex and open to the general public, rather than facilities provided for the exclusive use of the owner corporation. In both these cases, there is a lack of mutual knowledge between the purchaser and the developer or sales representative. The purchaser’s agency is limited by the way in which property is marketed and the attendant lack of information. It was left to *Australian Property Investor Magazine* (13 April 2008) to suggest that due diligence prior to purchase should occur. However due diligence was only required for investors, not prospective owner occupiers.

An investigative article provided an industry view of fees:

‘The level of strata fees can vary enormously’, says David Morris, president of the Institute of Strata Title Management. ‘A lot of people complain bitterly about them after they’ve moved in because they didn’t look at them before. They can be high with a lot of facilities but still some people assume they get all that for nothing’ (Susan Wellings, *Sydney Morning Herald*, 25 April 2008).

This interview taps into issues raised in Blandy and Lister’s (2006) study which found that some purchasers were unaware of the true cost of strata living. Given that the real estate industry rarely alludes to the fee structure at the point of sale, and that targeted media articles represent only a small portion of the overall written media coverage, it is difficult to know how owners are to gain prior knowledge of the ongoing funding structures and need for levy payments associated with strata title complexes. Moreover the basis on which fees are apportioned may change over time through the application of new legislation or court rulings. In the following instance the application of agency by one owner had the potential to affect owners

of property across the state rather than being limited to her own apartment complex:

'Penthouse owners throughout the city are taking advantage of a legal precedent which now enables them to halve their annual body corporate fees. People with smaller units, however, are facing big increases' (MP tipped strata title fee chaos, *Gold Coast Bulletin*, 24 April 2008).

For owner-occupiers in particular, who have an emotional attachment to home, and limited ability to negatively gear property, the inability to anticipate and schedule payments for organisational levy payments represents a key challenge to their emotional as well as financial and physical security, key aspects of ontological security as discussed by Saunders (1984).

5.4.2 Participation

This section is closely related to governance issues, since governance relies on participation, and participation is higher where levels of trust and cohesion exist. Participation within past time-space (legislative and planning processes) and in the present time-space (period of ownership) are linked not just in terms of Giddens' (1993) time-space continuum but also in terms of the social relation and reflective monitoring of action that occurs by individual actors. Bounds (2010) found that the essential ingredient for success was an active residents group and that satisfaction was generally high even in larger strata developments. Trust is based on predictability of behaviour. Predictability relates to internal or external control mechanisms. Not only do residents groups and owner corporations need to be active, they need to perform in a way that engenders trust, openness and transparency between owners.

Where organisational participation is low, conflict is generally higher. For this reason, stakeholder cohesion among owners, and by extension, between owners and tenants, and owners and their strata manager is crucial as indicated below:

"But when about a third of the residents decided to work hard at resolving the accumulated grudges and resentments within the group, the change was overwhelming. 'All the tension went out of our meetings,' he says. 'People who weren't talking to each other started talking again.' Mr Higginbottom is adamant that learning how to resolve conflict and deal with people is a crucial part of living in the

community” (Michael Green, Pooling resources for a green future, *The Sunday Age*, 6 April 2008).

‘And it can be hard if the two owners don't get on and one has a different number of unit entitlements, so can outvote the other. When a dispute can't be resolved, a compulsory manager is sometimes appointed’ (Susan Wellings, When size really does matter, *Sydney Morning Herald*, 25 April 2008).

Having the skills base and the will to work together can bring major changes to the functioning of the committee of management, and overall functioning of the community. As with Pouder and Clark’s (2009) research into the setting of strategic direction, it is re-assuring to know that some individual owners are able to set aside differences to increase the capacity of the organisation through increasing stakeholder cohesion. Increased stakeholder cohesion and participation was related to issues of governance and had the ability to positively affect transparency and accountability. These in turn affect an individual’s sense of fairness and natural justice building confidence in the owner corporation’s dealings with member owners. The community spirit cited above, appeared to be far from the norm as Gabriella Woods reported in *The Age*:

‘Slowdown in economic growth and high prices, may mean better neighbourhoods and community spirit lacking in high investment high rise housing’(Gabriella Woods, Real estate is not the real story. It's all about neighbourhood, *The Age*, 4 April 2008).

Engagement in community events builds trust and reaffirms the status quo through integration processes which create mutual understanding of how to behave and what is expected.

Owner cohesion was clearly lacking in a Cottesloe complex where the owners appear to be at loggerheads over redevelopment:

“The units were given a 10-year life expectancy and residents were told the body corporate would not vote in favour of major repairs because demolition was inevitable. ... ‘This is a strata-titled building and we have veto power’, stated the body corporate chairman. ‘They can make life very difficult for us if they want to, but we will fight this, because this is our home’” (Glen Cordingly, Beach Battle, *Sunday Times (Perth)* 2 April 2008)

This article raises issues of organisational importance. First is the issue of demolition which occurs in future time-space. When the time comes for a multi-

owned building complex to be demolished, how do developers negotiate that demolition with individual owners within the building complex? It is no longer a case of straight building demolition, but of entering into the decommissioning stage of an organisation. The article clearly raises issues of maintenance deficit. The owner corporation is tasked under legislation to maintain the common property, yet clearly the majority vote within this owner corporation is willing to forgo maintenance in order to force demolition. The situation occurred because the developer owned some of the units in the block, and other investor owners sided with the developer. The owner occupiers that wanted to continue to maintain the property despite the high levy costs were out voted. Thus there is a perceived breach of contract with the other owners that impacts on trust, predictability and control, impacting ontological security. The power plays within this organisation indicate that owners need to consider the entrenched interests of owners when placing representatives in positions of power and continue to reflexively monitor action to ensure that they are adequately represented. The aims of this organisation are at odds with the legislated duties to repair and maintain the common property within the unit complex. Thus the legislation designed to protect the assets of all owners is voided through the democratic voting system.

5.4.3 Blog sites

Blog sites present a readily accessible forum for owners of strata property. The search identified four Australian Blog sites. One was easily discounted. This website referred to an openly fictitious statement about a high-rise building complex called 'Dardanelle Towers'. Other web sites were also noted. These relate to an embryonic organisation which at the time of writing had ceased to exist.

All three websites purported to be for the benefit of providing information to owners and those living with the complexes. While McKenzie (2006a) cites the rising use of dedicated web and blog sites as a growing form of support to owner corporations offering some level of community cohesion and structural input. In Australia there appear to be few dedicated sites. Information from these sites was confined to the public domain only. It was noted that there were a number of strata management company websites with dedicated channels. These blog sites were associated with specific owner committee sites and were membership only accessible.

The website provided information on a broad range of issues affecting the owner corporation, though it should be noted that the information on both sites is NSW specific and may not be relevant to other jurisdictions. However on neither site is a public disclaimer to that effect made, as seen in the following statement:

'As well as offering practical assistance, we're a reassuring presence for apartment owners who have problems because they know they're not alone', (Stephen Goddard, Chairman of the Owners Corporation Network, www.ocn.org.au accessed 4 April 2008).

Insurance and voting proxies are raised in this forum. Discussion of these issues was not detailed in the media articles. The issue of transfer of proxy votes to the developer as part of the purchase contract creates a conflict of interest situation and highlights the way in which the developer and real estate industry work together to keep owners from being able to exercise their right to sound principles of governance, including openness and transparency.

"You can picture it now: your average first-home buyer, empty nester or recent immigrant signs the sales contract and shakes hands with Dodgy Dave, the developer's go-to sales guy, who then slips a proxy form under their noses. 'Just sign this, mate,' he oozes. 'It's standard practice; saves you from having to turn up at all those boring meetings'" (Jimmy Thompson, *Flat Chat*, 12 April 2008).

At the time of writing, some Australian states had outlawed this practice while other jurisdictions, despite recent legislative changes being implemented, had not moved to ban the transfer of proxy voting at purchase to the developer, not recognising it as a conflict of interest situation.

The contribution that both these sites make to the owner corporation is real. Both are monitored by people with legal expertise and offer advice that is consistent with NSW legislation. However there is no reciprocal organisation for other states and territories where strata title mechanisms exist.

5.4.3.1 Professionalism

The dominant discussion presented by the print media was that committees were better off engaging professional strata managers who had knowledge and experience of matters that may be alien to volunteer committee members. Professionalism is closely linked to areas of specialised knowledge and competence. Giddens assures us that expertise and the need for expert knowledge are key concepts within the structure and agency debate that assist in the

development of mutual knowledge impacting on integration practices of shared norms, values and meaning. While Susan Welling's article presented a range of options, the main focus was on a range of professional help that could be purchased:

'A strata manager's biggest strength is that he's probably seen a situation just like yours somewhere else, so it's a really good idea to pick his brains' (Susan Wellings, When you need a helping hand, *Sydney Morning Herald*, 12 April 2008).

Strata managers purport to be 'experts' which is their selling point. Placing strata managers in the position of professionals implies that conversely, owners and volunteer run committees are not professional and unable to manage without help. An assessment of agency competency needs to be made whether the agent is the owner representative or an external manager. There were clear plugs for engaging a strata industry professional. Presumably engaging an industry professional who is an institute member will solve all questions of communication and conflict. They will be the 'right' strata manager. Other industry professionals were mentioned as well as strata managers. Building managers or caretakers were mentioned along with the need for professional mediation services and solicitors. A number of specific business names were mentioned, which left the impression of an 'infomercial' rather than journalistic excellence.

There is only one mention of the volunteer nature of owner corporations within the media articles. This was in direct contrast to strata managers who were mentioned more often. committees of management apply high levels of professionalism. In Pouder and Clark's (2009) study, the volunteers applied strategic thinking, goal setting and business planning and implementation to their gated community indicating a high level of professionalism amongst the volunteers. In short they knew where they wanted to go, approximately how long it would take to get there, had assessed their resources and set about creating a cohesive community into which the majority of owners had bought. They were able to do this because the committee members came from a business background and were able to formulate vision statements and implementation plans which directed their building manager's activities. In Pouder and Clark's (2009) study, the owner corporation was able to apply 'expertise' to their activities because of the committee's high skill level.

Industry websites however are all about industry expertise. Again perusal of these sites was left to information that was in the public domain. Industry websites are there to support industry professionals, not owners or prospective purchasers.

‘The National Community Titles Institute (NCTI) is the industry association representing the professional strata and community title managers and their suppliers to the sector across Australia’ (NCTI 2008, www.ntci.org.au accessed 28 April 2008)¹³.

When industry professionals call for change, it must be noted from the above statement that they do so from an egocentric viewpoint and are not necessarily working in the best interests of the owners who employ them on individual contracts. Three types of membership are available, that of owner corporation managers, suppliers to the owner corporation industry, and affiliate membership. An individual owner, or committee member is unable to join under any of these categories.

Industry websites indicated that they had a high degree of professionalism. However ‘the frequent spelling mistakes on their web-pages detracted from this image. Much of the information available was about building and shaping the industry rather than aimed at providing information about solving specific existing issues. The industry websites were clear in their intention to lobby governments, influence policy, and initiate change within the sector.

‘... advocate and lobby for the sector and present to government, the public and other bodies as appropriate, the issues relevant to the sector’ (NCTI 2008, www.ntci.org.au accessed 28 April 2008)

The industry was also clear about the need for greater education. However the need for education appeared to be limited to industry professionals, rather than educating the public prior to purchase. Nor did it extend to the need for owners and committee members to be educated in their ongoing obligations towards the community, understanding key concepts of governance such as transparency and accountability, engender trust, life participation or engender owner cohesion. Nor do the sites refer owners to other government or non-profit websites. This failure represents a key drawback to the industry sites.

¹³ The National Community Titles Institute (NCTI) changed its name to Strata Communities Australia in 2012

5.4.3.2 Contractual arrangements

Slack et al. (2004) concede that sourcing decisions affect quality, speed, dependability, flexibility and cost. Because of the contractual obligations associated with buying in expertise, sourcing strategy is also closely related to both governance issues and levels of professionalism. Discussion of competence brings this discussion full circle. The focus of this section is on contractual arrangements between developer and purchaser (past time-space), and the committee of management and the expertise they purchase (present time-space). Contracts are rarely mentioned and specific clauses in contracts not stated. However:

‘The Department of Consumer Protection said consumers should be wary when buying off the plan. Spokesman Mike Winchester said there was no specific contract for these purchases. ‘Contracts can contain clauses that allow the developer to withdraw from the sale or the project at any time before settlement’, he said. ‘Some contracts contain clauses that allow developers to alter the size of the building, size of the rooms, and fixtures without the buyer's consent’ (Anger over two-year wait, *The Sunday Times (Perth)*, 27 April 2008).

The above article alerts prospective purchasers to contractual pitfalls when purchasing, highlighting the agency exhibited by developers in honing the contracts to their owner terms. At the same time, the lack of agency experienced by purchasers is evident in the following scenario.

‘Your brand new off-the-plan apartment has more leaks than a whistleblowers’ convention. Your building manager has been selling unit master keys on eBay. And pets are running riot throughout the common property. Who ya gonna call’ (Susan Wellings, When you need a helping hand, *Sydney Morning Herald*, 12 April 2008).

The article continues citing problems that may be encountered and industry professionals that may be able to assist. However none of the articles referred owners to the legislative web sites, consumer affair websites or other government run websites that may offer less commercially motivated and more independent assistance. This article and others referred owners and committee members to the Strata Title Management Institute (now Strata Community Australia) which is an industry based organisation. Further discussion of this organisation is detailed under the industry web sites section. The media article becomes another ritual that supports the legitimization of a burgeoning industry in which owners do not need to

be concerned with the day to day running of their complex. Thus it supports a structural view of the strata industry in which the exercise of agency by individual owners is neither required nor desired.

What is missing from this conversation, and indeed from all the media articles and infomercials, is the need for clear contracts that protect both the owner committees and the industry professionals, and the need for owner committees to actively manage the contractual obligations that they have with strata managers, building managers or other contracted parties. This is because media articles are intended to sell or generate advertising revenue rather than inform the public. Yet there needs to be a balance between information and sale where housing futures are at stake.

Government websites assisted in filling this gap to some extent. Surprisingly, the Australian Competition and Consumer Commission (ACCC) also came up in the search criteria. However, the information on this website was limited to the business directory which directed searchers to the strata industry web site rather than the state based consumer or legislative websites. This is interesting because the ACCC is there to protect and advise consumers rather than act as a referral to businesses. In doing this it is actually supporting the structural status quo while limiting the agency of purchasers it is sworn to protect.

State based websites fared better. They consisted of two types which were evenly distributed. Half related to legislative websites which contained copies of the relevant state based legislation. I do not intend to comment on these websites. The remaining websites contained information and information booklets about living in a strata community and summaries of duties of the corporation. However a prospective purchaser would need to be aware of the existence of the governing body and terminology in order to effectively search and find these sites. Thus the knowledge required to run an owner corporation remains hidden from the majority of prospective purchasers and their owners. The development of mutual knowledge between the owners and structurally aligned parties such as strata managers, remains limited.

5.5 Conclusion

This chapter has presented content analysis of the strata environment as presented by Australian media, blogs and government and industry web sites. It

presents a picture in time. Through a process of elimination, relevant websites and media articles were thematically sorted according to the information they contained. The media generally depicted strata titled properties as being convenient, luxurious and contemporary, in some cases maintenance free. They were targeted to specific age and cultural groups rather than a community which one joins through the contract mechanism at purchase. Levies, by-laws and insurance issues appeared rarely, and were primarily limited to websites, rather than the media. The capacity of owners to oversee their contractual obligations, whether with strata managers or with owners in terms of application of by-laws and levies, is an important part of building capacity that requires a sound knowledge and skills based approach. However this was not evidenced within the media articles or websites in this phase of the study. These findings differ from Blandy and Lister's (2006) work which found that security and surveillance were important considerations for prospective purchasers. This research fills a gap left between two key studies into how purchasers become aware of their obligations within the strata environment.

This chapter conceptualised the Australian experience of buying strata property as one of luxury, convenience, and low maintenance. Target groups for off-the plan sales aimed at specific market segments. The emotion of community was strong, though contractual linkages between owners were downplayed. Low strata fees were seen as a good thing. There is little discussion of the costs involved in strata living with most real estate advertisements failing to mention these costs. The link between governance structures, participation and the purchase of expertise advice through the engagement of a strata manager identified in the literature review was rarely raised. While the media do not demonstrate that positive images influence people, these media messages can be contrasted with the problems described in the next few chapters. To further probe this area, I used a semi structured interview process. There were fourteen participants, comprised of committee chairs and strata managers.

Chapter 6 - The Gilded Cage

6.0 Introduction

Governance, including transparency and accountability of processes, trust and participation of stakeholders, begins with the developer when the organisation is formed. As the previous chapter noted, the purchaser gains little knowledge of the owner corporation, its structure, processes and procedures or the rights, responsibilities and restrictions during the purchase stage. How the developer sets up the owner corporation influences the owner's actions and ability to act. The structural forces are set in motion by the developer. The banking and insurance industries, developer, councils and construction industries are the main drivers of change at this stage. The owners have not taken possession of the organisation because the property sale has not yet been finalised. Whereas once the owners have taken control of the organisation, agency may be demonstrated through the actions of owners, but be influenced by the residual effect of structural forces and where the loyalties of the strata manager lie. The future stage of the organisation is not part of this thesis, as none of the interviews took place under demolition circumstances.

This chapter considers the transparency and accountability of processes, particularly in relation to the 'buying expertise' of strata managers. It goes on to consider issues of trust, participation and stakeholder cohesion specifically between the committee, its members and the strata manager where one has been nominated. This is achieved through discussion of stakeholder relationships and by-laws. Thirdly, the extent to which there is either a conflict or an alignment of interests between the strata manager and owner corporation is commented on. To cover this ground, interviews from both strata managers and committees of management are drawn upon.

6.1 Governance, developers and the buy-in stage

In the Australian context, the creation of strata titled properties in the form of apartments and master planned communities is a growth business. Developers seek to maximise profit through increased utilization of land size. State and local government policies, such as the Building Better Cities Program (FAHCSIA 2012), places emphasis on increased density as a way of maximising cost efficiencies in

the public sector. This is facilitated through planning practices. As noted in Figure 6 (Structuration and Strata) this occurs in the past timeframe.

The literature review refers to the owner corporation as an organisation that is set up with a specific governance structure by the developer. That is, the rules of operation and resources of the organisation are determined by the developer and to some extent by the governing legislation influenced by key industry players. The extent to which the processes that create an owner corporation and its committee of management meet the functions of an organisation with demonstrable governance are discussed. In the context of this analysis, people enter the strata organisation as an owner or as a strata manager. The committee is formed under legislation on paper by the developer, and each individually titled property is sold either off the plan or shortly thereafter. Each individual property title is tied to the property that is held in common.

Developers feature strongly at several stages. There are at least nine ways in which developers may influence the functioning of the organisation (Altmann 2012b). Altmann summarised them as:

- (1) developers influence the legislative and political processes and the formation of policy to their advantage (Butler-Bowden & Pickett 2007).
- (2) developers conspire with municipalities to create a supply driven economy in multi-owned dwellings (Blakely & Snyder 1999).
- (3) developers determine the standard to which property is built.
- (4) developers determine the legal and contractual documents (McKenzie 2006; Clarke 2006).
- (5) developers may determine the number and type of sub-committees, influencing the committee structure (Townshend 2006).
- (6) developers may appoint themselves as the property manager for the complex (Clarke 2006).
- (7) Developers' ability to set up multiple third party contracts on advantageous terms (for the developer) limit the owner corporation's ability for self determination (Sherry 2010).
- (8) developers may remain an owner through the performing stage of the organisation enabling them to sit on the committee as an owner. The developer may be the only person on the committee able to fully

comprehend the governing documents and the ramifications of the decisions made.

- (9) developers influence the owner corporation through marketing campaigns often failing to mention the nature of the governing documents or collective nature of belonging (Blakely & Snyder 1999).

These interviews however highlighted yet another developer-limiting influence on the functioning of the committee of management. For one committee, the way in which the complex was built caused difficulties with compliance processes and inspection regimes:

we have groundwater monitoring and we have a sheet pile wall ...
there's no way to get under the building to actually check the sheet
pile wall, because it's on council land to get under it. ... It's letter after
letter after letter ... only one tower is supposedly meant to maintain it,
which is ours (Chair K).

Interestingly, this complex was lauded for its innovative design during the design and development stages, promising a luxurious lifestyle to prospective purchasers. Despite this, it had severe design flaws which impacted on the viability of the owner corporation to maintain the appropriate inspection regimes once the building physically existed. The structural piled footing system required access from an adjoining land owner (the council) in order to facilitate the mandatory inspection regime. The council was party to the creation of the organisation and provided subdivision, planning and building approval permits for the precinct and the buildings. The complex ran the risk of becoming non-compliant and the council revoking the occupancy certificate because the appropriate inspections had not been carried out. However as adjoining owner, the council refused access. The lack of forethought about such issues at the design and approval stage highlights a serious lack of concern for the functionality of the building once the building is occupied, to the extent that it may ultimately impact on the building's ability to remain fit-for-purpose. Within this situation, it is the council that sets the rules and controls the resources. Despite the specialised knowledge of both parties, a shared understanding of the issues is lacking leading to a breakdown in communication. The unintended future consequences may well be that the inspection regime is not carried out and the 'certificates of occupancy' revoked, leaving owners and tenants illegally occupying their dwelling.

As indicated in the above statement, the significant cost of maintaining the inspection regime and maintenance works was attributed to one building rather than the whole precinct which comprised several tower buildings attached to the one strata plan (see Figure 5). The signification for owners is that they are bearing an unjust cost that should be shared by all owners within the strata scheme. The apportioning of ongoing maintenance liabilities is a sticky issue creating unjust cost imposts upon future property owners. In this instance the annual levy payment increased by \$8,000-10,000 per owner per annum to cover the piling inspection and repair regime in only one of the four buildings on the site even though all buildings benefited. The level of specialised knowledge required to identify such issues by prospective purchasers is significant. Developers initially sell units 'off the plan' before the attribution of cost liability has been apportioned to individual buildings. The processes involved make transparency of liability and cost to individual owners impossible to identify at the off the plan stage with purchasers buying into the complex 'blind'. The apportioning of maintenance costs throughout the life of the building are a significant bugbear of strata property owners, and this was brought to the fore in Queensland's 2004 landmark decision in the Centerpoint Case¹⁴ which has the potential to alter the way in which levy payments are apportioned between owners.

The two issues raised here show a lack of dovetailing of processes and little understanding of how the physical creation of a building and the functioning of the organisation impact upon each other, creating difficulties with ongoing process compliance. The integrated practices adhere to expected rituals, norms and values. However, the shared meaning between the owners and committee of management

¹⁴ The Centrepoint building is located at 69 Leichhardt Street, Spring Hill, Queensland . The decision by the Supreme Court of Appeal was made on 25 June 2004. See *Fischer & Ors v Body Corporate for Centrepoint Community Title Scheme 7779* [2004] QCA 214, available at <http://www.austlii.edu.au/au/cases/qld/QCA/2004/214.html>

This is a landmark case because the decision enforced both a 'contribution schedule lots' and 'interest schedule lots' in which the respective contributions of the apartment owners to the maintenance cost and thus levy amounts payable were re-determined according to the new schedule. The effect of the enforceable change was that those owners who had previously enjoyed low fees were significantly disadvantaged while those had previously paid high levies had significant cuts to their levy payments. As a result of the redistribution of levies owners reported increased payments of up to \$400 per week, thus making their units unaffordable.

are at odds with the developer, design professionals and council's view. Signification in a Giddens' sense is lost to this latter group and the committee of management are effectively hamstrung by the rules and resources controlled by the council. Whether the developer and council action was intended or unintended remains unclear in this scenario.

6.1.1 Trust and building defects

Other issues were raised by strata managers and committee members in relation to the handling of building defects. For example, Chair K went on to discuss a situation that occurred at the defects liability stage in which the developer had failed to act, causing significant disruption at a later stage.

But the previous management company had not followed up the reports and even though they were sent registered mail at my request to the developer and the builder, the developer ... we've found out since, handed them on to someone else and didn't do anything with them, so never sent them to head office. Then I found out that the girl, which sometimes unfortunately they're like secretaries, as I call them, then in her wonderful wisdom sent it to the defects person and by the same wisdom it never got any further than him. So, hence we now have to have a whole new roof rebuilt (Chair K).

Subsequent documents supplied by the owner corporation indicated that a problem with the roofing structure and requests for the developer and builder to inspect had occurred within six months of the building being occupied. However no action was taken by the construction company, developer or the developer appointed strata manager with the result the roof failed significantly during a storm event leaving residents homeless. Thus the rules and resources worked in the favour of the developer since they effectively limited action by the owner corporation. There are significant issues with accountability in this dialogue which impact the amount of trust that is eventually reposed in the strata management company. The 'girl' in this instance is actually the strata manager. Her role and authority has been significantly downplayed as trust dwindled. The role of strata manager has been relegated to that of a 'secretary', a term used in a derogatory sense. The strata management company is no longer seen in terms of providing 'expert' advice to the organisation as outlined by Drucker (1990). Using structuration theory, I note that the developer was able to bend the rules to his or her will. The lack of response from the developer is part of his or her value system. However, because the value

system is not shared by the owners, the result is a lack of trust in the developer and strata manager. The unintended outcome is evidenced by the derogatory comments that downgrade the strata manager to a 'secretary'.

The ability of strata managers to navigate and guide owner committees through the defects liability period is fraught with conflict of interest issues. As one strata manager put it:

well basically the (previous strata) manager just didn't want to do it. They had a relationship with the developer and didn't want to strain that relationship by chasing up the defects on behalf of the owners' corporation (Strata Manager D).

The nurturing of close relationships between strata managers and developers is not unusual as noted by Strata Manager F:

I am actually personal friends of the developer ... as one professional to another (Strata Manager F).

In regional townships with smaller populations, perhaps the closer personal ties are more understandable. However it was also noted that some strata managers actively seek out large developments in the early stages in order to secure ongoing business:

We are quite well placed with the directors of that organisation so that we would expect to have a role to play and I guess that, the circles I move in, I talk to a lot of developers. The areas that I don't market as well, are the interstate developments and that is probably why I've taken the time to come here today and rub shoulders with these people because it is probable that 80% of the developments are going to come from Melbourne anyway (Strata Manager G).

Two conflicting scenarios arise from this. Some strata managers see the need to maintain ties to developers in order to secure work as desirable, while others find close association with developers as a negative. Both groups are exercising purposive agency albeit with a different outcome that meets the individual strata manager's needs. Not all strata managers believe that being appointed by the developer as the initial strata manager is a good move. As one person put it, there is a lot of additional work for the strata manager in these initial stages in sorting out building defects that can place a severe strain on relationships.

What we tend to find in the industry is that whoever has the facility management contract coming out of the development stage, does not

last long. There are too many disgruntled owners. Peoples' cars have been leaked on and the pool is leaking and blah blah. (Strata Manager H).

Relationships between the strata manager, committee of management and developer/builder can become so strained that owners generally appoint a different strata manager at the first opportunity. Thus the reflexive monitoring of the situation by owners leads to an exercise of agency. Whether the consequences of these strata manager – developer ties for owner committees are positive or negative, depends on how transparent the process is, and how accountable the strata manager remains towards the owner corporation, rather than the developer.

Oh well you get a chance with a new build to actually put some of those potential issues to rights from the start. In this case I wasn't there before titles issued which means that I did not have a say in terms of property boundary's location, centre of wall or outside of wall or those sorts of things which I wish I had (Strata Manager G).

In this instance, the strata manager highlights the influence that the developer has in setting up the boundaries between each individual's private ownership and the shared common areas within the building complex. Whereas the developer may see these boundaries as relatively unimportant, apportioning them in an arbitrary way influences the levy allocation and impacts on stakeholder relationships throughout the occupation of the complex and the management period of the organisation. The location of property boundaries may also affect what maintenance and retrofitting options are available to the owner corporation. This is because any change to the physical structure or common use services at a later date needs to match the common boundaries identified on the certificate of title for each property within the scheme. Thus an upgrade to individual water meters at a later stage may include the physical and legal costs associated with changes to the title documents for each owner. An experienced strata manager working with the developer at this early stage may be able to provide specialist advice on the best placement of boundaries, to facilitate stronger relationships throughout the life of the owner corporation. Where this type of closer association does exist, transparency of process may become blurred and accountability to the owner corporation jeopardised through conflict of interest situations. The lines of accountability between whom the strata manager is employed by and working for, begin to disintegrate.

6.1.2 Trust, estate agents and the buy-in stage

While not all strata managers are aligned with the developer during the planning and construction stage of a strata complex, there is no doubt that real estate agents will often align themselves with the developer in order to make the sale. There is no conflict of interest here for the estate agent. The real estate agent's commission is clearly paid for by the developer. In some instances the estate agent is a subsidiary company of the developer as seen in the following extract:

The developer also holds the real estate contract under their associated company (Chair C).

Yet issues still arise over what lengths estate agents will go to in order to make a sale particularly at the off the plan stage. As this strata manager reports:

The issue was what the real estate agents told the prospective buyers was going to be the entitlements and body corporate fees before we started. We came up with a budget based on the actual expense items and then allocated the entitlement structure. There was a substantial variation and of course the purchasers were not happy (Strata Manager G).

The issue here is that when the purchaser does try to obtain accurate information prior to purchase, the information necessary to make an informed decision is not always available, making decisions flawed. The reference made by Strata Manager G to 'entitlements' harks back to the 'piling' issue raised by Chair K. Even where correct maintenance figures are available, changes to entitlement allocation lack transparency and affect an owner's financial decision-making capacity. Within these interviews, councils, developers, construction companies, estate agents and strata managers align themselves in some, but not all instances, at the structural level in order to sell to gullible or uninformed consumers. There is little place for owner agency which is stymied at the planning, construction, sale, defects and management stages.

For many owners, buying off the plan and issues of defects are not an issue. Owners purchase into a complex that has been in existence for some years. The interviews conducted as part of this thesis, were with well-educated and articulate owners. Some owned other strata titled properties and were familiar with the different layers of shared ownership and governing organisations. Despite this, experienced purchasers had difficulty understanding process and felt that they were not adequately protected. First time purchasers also found the process

difficult. The difficulties for first home owners of this type of property were highlighted particularly for Chairs L and M:

when I bought in I don't think we really understood that we really needed to be a body corporate. You know, in my mind they were separately titled, so that was kind of a learning curve. So the real estate had completely downplayed this aspect of living I think (Chair M).

In Victoria the owner corporation is required to supply information as part of the sale documents for existing strata titled property. The supply of the appropriate documentation signed off by the owner corporation is required by Section 32 of the Owner Corporations Act (Victoria) 2006. Included in the certification are details of current and unpaid fees and charges, special levies, insurance cover details, balance of funds held, agreements, licences and leases affecting the common property, by-laws, and legal proceedings. The disclosure at point of sale is seen as informing owners about the changed relationship between owners and responsibility for common property issues including by-laws and levies. However despite the system being in place for several years, difficulties with the system were still reported by both strata managers and owners:

I've had a few where I've actually taken over the complex and I was initially a bit tardy registering with Land Victoria that I was the manager for all addressed notices, so a few of the units sold within this complex and I asked the question 'so how did the owners corporation certificate get signed? Who did that?' And you get a fairly warm and fuzzy answer about the real estate, or the lot owner just put something together on that. So it is not something that is as professional as it should be to protect the purchaser (Strata Manager F).

Structurally, it highlights a lack of accountability for strata managers and estate agents within the system. There are no checks and balances in the system that ensure strata managers act in a timely manner. Nor are there penalties for a failure to act in a timely manner. This strata manager recognises that he has a role to play in ensuring that appropriate disclosure occurs, and apports the lack of transparency for incoming owners to his own 'tardiness' in completing the registration process. His reflexive monitoring of the strata schemes he is responsible for is poor, leading to mistrust in the system as a whole. There is little recognition by the strata manager or strata industry of the potential financial impact

to incoming owners where transparency fails due to non or incorrect disclosure. The rules are in place, yet the ritual and norms are brushed to one side, interfering with shared meaning. This systemic failure of transparency and accountability is not addressed within the current legislative processes. The ability of estate agents and owners to engage in creative documentation is not considered a serious issue by industry professionals, but it is a serious issue for prospective purchasers and owners for whom it represents serious breach of trust. Reputationally it has the possibility of adversely affecting the strata industry as a whole:

My purchase was mismanaged ... there was an issue with the common property which was about to face a 15 year period for a claim of adverse possession the estate agent has sold four more properties without the properly completed forms (Chair L).

This first-time purchaser claims that she would not have purchased had she known the difficulties resultant from the adverse possession claim over common property. The claim was known to the estate agent who was also the strata manager as well as the committee of management. Throughout her interview, a sense of powerlessness in the system was evident. Her views are coloured by other issues within the complex and the fact that she sees herself as an unwilling owner.

I knew that I had just settled my father's estate and was likely to join the bourgeoisie which was not what I wanted to do or become a land owner anyway. ... All these things went to my solicitor. ... Now of course their comeback is 'you're the purchaser, you should have informed yourself' (Chair L).

Yet her defence is clear. She was new to home ownership, did not understand that she was joining an organisation and expected there to be something in place to inform her. The processes designed to protect her failed because the disclosure documents were incomplete and filled in by the estate agent with the dual role of strata manager. There was nothing to highlight the conflict of interest between the two roles. The importance of the documents as part of the sale process was not highlighted and they were passed onto her solicitor whom she expected to assist and offer her some protection. However even this failed, with the solicitor placing responsibility back onto the purchaser. For first home purchasers used to rental tenancies or free hold suburban title, identifying that there is a governing organisation is difficult. Understanding the importance of a valid Section 32 documentation, or more importantly, how to identify an invalid Section 32

document attached to a contract for sale, is like asking someone who has just mastered the art of addition to verify an algebraic equation.

The onus here should not rest with the prospective purchaser. As discussed in Chapter 5, there is little in the current Australian print media to alert the public as to what to expect during the pre-purchase and purchase stages. Lifestyle shows, for instance, predominantly focus on freehold title situations in which no owner organisation exists. The majority of Australians grow up in suburban freehold allotments where joining an organisation is not mandatory to property ownership. As Mills (1958, p. 304) asserts, in a mass society, the dominant communication is the formal media in which people are mere media market segments that media stories can be fed to. The focus of the print media in this instance, is on the amenity of the property and how wonderful it will be living there as part of the sales pitch, a position consistent with the views expressed in the previous chapter. As such developers and estate agents feel no need to draw attention to the organisation which stands behind the strata titled property, or the contractual obligations to neighbours or the organisation as a whole.

I really, really wish that I had been more astute when I purchased into this complex. We saw the (owner corporation) money was in the bank, but we did not make enough enquiries into the age and condition of the plant and equipment. And particularly the lack of a central service compliance. If I had been more savvy in those areas, I would have seen that that surplus \$200,000 was not going to last. Probably ten months only (Strata Manager & Chair H).

In the above scenario, the owner has previous experience of living and owning within the strata title environment. The documents were provided at point of sale, and the prospective purchaser knew their importance and had a background in real property conveyancing. However, even for a knowledgeable purchaser, there were difficulties in understanding the importance of the financial figures provided. Within the strata industry, it is not just a straight transfer of property that is at issue. The purchaser is required to clarify the age and condition of the plant and equipment within the individual property title and the common property, and make an assessment of whether the organisational funds available will offset any plant deficiencies. The transfer of residential real estate property has entered into commercial territory when this occurs. Thus the specialised knowledge is lacking, even among those supposedly 'in the know' leading to a breakdown in reflexive

monitoring of the situation and affecting the agency that purchasers exhibit. The transparency of process is severely jeopardised for the lay person as indicated previously in Blandy and Lister's (2006) research. It is clear from the above interviews, that even when steps are in place that should highlight to prospective purchasers that they are entering into an association with other owners, the process is less than rigorous, with the possibility of severe financial impact to new owners.

However, not all of the difficulties lie with the vendor. This strata manager highlights deficiencies in the sale process to both the vendor and the purchaser through their solicitor.

Technically you are reliant on both the purchaser and the seller to fulfil their role and fulfil it properly. And when I say that I mean, if I am a seller I will pay a solicitor for conveyance, and then the purchaser's solicitor will come back and say 'well send us a notice to say the property is now sold and this is the new owner' and I can tell you that 80% of the time that information is incorrect (Strata Manager B).

Transparency and accountability during the purchase process is reliant on many players, as highlighted by the above Strata Manager, and there are many stages at which these processes are jeopardised by rituals and norms that are ineffective for other actors. However, when a strata manager assumes that eighty per cent of strata property transfers are incorrect, then it should be clear that there are significant process flaws that need to be strengthened in order to restore trust in the system of real estate property transfer. It is no longer a case of 'buyer beware' and contractual norms of purchase and sale, since purchasers may be said to be buying under false pretences once invalid documents are provided as part of the purchase process. Owners seeking to purchase into a strata titled property cannot be said to have the full benefit of the law under these circumstances. However, because so few of these issues appear to be challenged, structural change that assists purchasers is unlikely to occur. I turn now from what occurs during the purchase stage to issues of trust, participation and stakeholder cohesion – all required for sound governance during the functioning stage of the owner corporation.

6.2 Trust, participation and stakeholder cohesion

Thus far issues of transparency, accountability, systemic failures in organisational formation and the purchase process have been highlighted. This section focuses on what in Figure 6 (Structuration and Strata) is called the present phase of the organisation since this is the period where interaction between the strata manager and the owner corporation occurs. That is what happens when the organisation has been in existence for some period of time. What role does the strata manager take in facilitating openness, transparency and accountability, trust and participation? At this stage, responsibility for running the organisation and control of the common property are considered to have been passed to the owner committee of management. There is discussion as to how much responsibility the strata manager has, and how his or her role has been influenced by the developer. As such there are five key stakeholder groups that are represented within this discussion – developers; estate agents; strata managers; committees of management and owners. Applying Giddens' (1993) approach, the organisation provides a setting within which individual agency is able to occur. However whether this is the case will depend on differing levels of understanding and participation in the organisation. As with the previous section, information was sought during interviews with both strata managers and committee members.

6.2.1 Who are you and what do you do?

Where owners have not been privy to, or understood the sale documents, owners may be unclear as to what the role of the strata manager is. Purchasers that did not understand the import of the sale documents, or had no idea what a strata development was, do not appear in isolation according to strata managers:

I'll say again, around about 40% of the new owners that come in to the business or come into the owners corporation the first thing they will say are "well who are you, I don't know anything about you. What do you do for me" (Strata Manager B).

Whereas the strata manager is quite clear about his or her role within the organisation:

I see the role of body corporate manager as really being a facilitator and an administrator for the owners corporation (Strata Manager F).

The role of the owner corporation as an organisation in decision making is quite clear to this strata manager. He is there to facilitate decision-making but not make decisions. His role is to facilitate outcomes and expedite paperwork which adds to transparency of decision making processes as shown in the following extract:

There is quite a lot of paperwork or administration that you are required to maintain now under the Act which is all good because it helps with transparency. That's what I'm here for (Strata Manager F).

Understanding the role of the strata manager is crucial for committees of management. There were instances where a strata manager had been employed, but his or her role was not understood by participants:

You try to explain to them, we don't make the rules, our job is just to implement your decisions. They can't do it. They are happy to have a lot of discussions. Ra Ra Ra, lots of barking but no bite (Strata Manager B).

Thus shared meaning was missing within this context according to Giddens' approach which in turn affects the integrated practices. The competence required to undertake reflexive monitoring of the situation is missing, leading to a breakdown in agency being exercised. According to strata managers, a substantial number of purchasers do not understand the nature of the complexes they are buying into. They do not understand the nature of shared space within the complex, and may not have heard of the governing organisation, the governing legislation or the need for a strata manager. The fact that prospective purchasers have access to the owner corporation's certificate at the point of sale as a guide to purchasers appears void, because no-one has told them that the attachments are important to their financial and living arrangements. They are just documents that go to a solicitor. A substantial number of complexes appear non-compliant with the paperwork anyway. The transparency of the system is jeopardized. Accountability is shifted back onto the purchaser who is expected to have somehow surmised that the system was broken and undertaken more rigorous inquiry, though from whom this information might be gleaned is not clear. For purchasers, their first acquaintance with the complex system of rules and by-laws governing the common property and their interaction with other owners, is the strata manager with a bill in hand. Mistrust of a system they have not understood develops as a result.

Whereas strata managers are clear as to their role in facilitating decisions, the fact that a strata manager has been employed, appears to be a chance for some

owners to offload responsibility for their strata complex. As a result participation in organisational processes is diminished:

These people are just not willing to participate. And they assume that you are the manager, you sort it out. ... Basically you need at least one person to turn up. All that we can do is continue to do what was done the year (Strata Manager B).

For owner corporations, the annual general meeting (AGM) is a key ritual that occurs at regular intervals along with the election of representatives. However where the role of the owner within the organisation is not understood, or the owner chooses not to exercise their voting rights, the ritual has the capacity to lack legitimisation because no-one turns up to the meetings. It was further reported by this strata manager that only six per cent of owners turned up at an AGM with a much smaller number being willing to actively participate. He had attended meetings in which no-one had turned up at all. These statements illustrate a clear abdication of responsibility by some owners from the owner corporation. This apathy may be clearly linked to the purchaser's initial understanding that they were joining an organisation in the first instance. However participation was seen as a key component of transparency and accountability of the overseeing committee. It fostered trust in the system, and enabled sound decisions to be reached. With no decisions being made, a holding pattern is implemented in which current expenditure is not increased to cover rising costs or to renew existing contracts. Of course they may just have too many other commitments as Bush and Gamage (2001) observed within school boards.

6.2.2 The committees' voice

Yet there are clearly a group of active committee members within this research who do understand their need to be involved in the running of strata complexes. Four out of the six interviews were with owners that had previously purchased in strata complexes, or were aligned to building and estate conveyance industries, and therefore could be expected to know of the organisation's purpose. For committees made up of members that do understand their role in making decisions, difficulties may still arise in relation to participation in the processes. The first issue is one of interaction with their strata manager:

One of the big issues here which has made it really difficult, they have some kind of a screening on their email systems, that reject emails ... it was including my email (Chair C).

Screening of emails by strata managers to the point where correspondence was not actioned constituted a significant issue for owner corporations. Three of the committee members interviewed reported that filtering of emails by their strata manager was impacting on the ability of the owner corporation to attend to business or exercise agency. In particular the inability of strata managers to attend to correspondence whether electronic or paper had significantly eroded trust for two committees to the point where changes were imminent.

We have seen no correspondence whatsoever, in or out. ... It is never tabled. Never. ... It takes time to be one step ahead. We feel that we have to be one step ahead of the strata managers all the time (Chair E).

This particular committee chair put the strata manager to the test and sent written correspondence to the committee via the strata manager with the following result:

When I challenged the strata managers, "George [name changed] did not get that letter what have you done with it?" This young girl running our building said "oh I just thought it was a copy of the letter so I opened it or something." She opened it anyway which she should not have done. He never received the letter. And I just thought that was outrageous (Chair E).

This scenario describes how the owners tried to act with agency, to take responsibility and to make decisions. However they are hampered by the strata managers because normal rituals of tabling correspondence, or sending and receiving emails are jeopardised by the strata manager. In this sense, strata managers are creating their own rules and withholding resources required for the smooth functioning of the owner corporation. When correspondence goes missing or remains unanswered within an organisation, problems arise that may be critical to the running of the organisation. In short business is not attended to. Complaints are not addressed, with the result that individual owners remain unsatisfied. When strata management companies fail to address issues raised in correspondence, trust in the strata manager is lowered. When the correspondence is not tabled for consideration by the owner corporation either, then trust in the committee of management also diminishes. Matters raised in the correspondence remain unaddressed. When trust in the organisation diminishes, participation levels also begin to fall, and accountability diminishes as a result. Falling trust and reduced participation can significantly impact on the owner corporation if left unaddressed. Chair C reported:

I find that people become apathetic. It is too much of a headache. ...

There has been a big turn-over of properties here (Chair C).

This was not the only time that the issue of people leaving because of an inability to get complaints sorted was raised. In the above instance, the unaddressed issues were seen as a reason to sell the strata unit and get out of the tangled web of contractual ties with other owners. Thus the owner has the right to exercise the ultimate act of agency by removing themselves from the organisation with the resultant apartment churn outlined by Murphy (1997).

6.2.2.1 Conflict and by-laws

One of the key responsibilities for owner corporations is the requirement for adhering to by-laws to assist in the smooth functioning of the strata complexes and to provide balance between self-interest and the collective interest of all owners. The initial purchase contracts bind individual owners to all other owners and subject them to the governance provision of by-laws, often set up by the original developer. While Australian legislation differs between states, each state does have a set of model by-laws that set minimum behavioural standards. By-laws, or in Giddens' (1993) approach, rules and regulations, may cover maintenance standards or behavioural issues. Issues of moderating behaviour between owners are still a key responsibility for committees of management and strata managers, as it is their duty to enforce existing by-laws and they may recommend new ones to address upcoming issues. Even where no specific by-laws are in force, the model by-laws take effect. This means that no existing strata complex is without by-laws of some sort:

Half the ones I have just revert to model rules (Chair G).

It was further reported by the strata managers interviewed that they went to reasonable lengths to inform new occupants of the complex's by-laws or the rules governing the complex:

If I know that a property or tenancy has changed hands I ask the chairman to knock on the door, introduce themselves and hand over a copy of the by-laws to the new occupants. It nips trouble in the bud so to speak (Strata Manager G).

However receiving a copy of the by-laws after purchase or signing a tenancy lease, when the new occupants are already committed to the property financially, tends to come as a surprise to many owners and tenants:

I had no idea these things existed (Chair L).

Despite the lack of prior knowledge, strata managers reported that the majority of disputes over by-laws fell within three key areas of noise, rubbish disposal and parking:

If you took away those three things then we would be out of a job,
they take up most of our time (Strata Manager A).

The committee members that I interviewed for this research tended to agree with this assessment. Noise, rubbish disposal and parking spaces were significant issues for them. The meaning of shared spaces and resultant appropriate behaviour appeared to be lacking, and this may hark back to the lack of mutual knowledge about strata living or the failure of collective living within individualistic societies, such as Australia. Even complaints about pets appeared to be more about the noise they made than any offence that the actual pets give:

We actually wrote to the anti-dog people and asked them to desist
their behaviour which was to yell and scream at the top of their voice
“shut that ruddy dog up”. We found it to be more provocative than the
actual dogs barking (Strata Manager G).

Four of the committee members in this study stated that a complex specific set of by-laws were in place when they purchased off the plan. Strata managers identified part of their role in assisting developers was to suggest and vet suitable by-laws at the planning stage. Three of the five strata managers interviewed stated that they had a set of by-laws that they pushed developers and committees to accept:

We basically have our own set of by-laws that we like to work with.
That way everything works in the same way (Strata Manager D).

Pushing all complexes to work with the same by-laws enables strata managers to streamline their operations. Individual employees do not have to spend time referring and remembering individual differences between complexes when addressing queries from committee members. However the use of standardised sets of by-laws that are drawn up to align with the strata manager's business removes the committee's and the individual owner's ability to take charge of their individual complexes by limiting individual capacity for change in each complex.

Where owners exercised agency and actively sought additional by-laws to be created, they tended to be specific to the use of particular facility types. For example complexes containing swimming pools and gymnasiums were more likely

to have additional by-laws pertaining to the use of those facilities and were aimed at reducing the likelihood of future adverse insurance claims.

We have by-laws that ban unaccompanied children from the gymnasium. It does not stop them from coming in. It's a risk that we have to constantly manage (Chair N).

Thus risk assessment becomes part of the reflexive monitoring of social interactions. However seeking compliance with by-laws could become an onerous task for committee and strata managers. They took up a significant amount of time and were not always a cost effective solution. Chair E noted that they had included by-laws to recoup interest on unpaid levy fees and additional account keeping fees for second and third notices. These fees were seen as just, since time costs were incurred chasing tardy owners. However Chair N stated that the additional administrative costs had been challenged at VCAT and declared void by the tribunal:

For being 14 days late with a payment I was up to over \$800 in late payment fees so I took the matter to VCAT who found that the fees were unjust and in the end I only had to pay about \$40 as a late fee. The (strata) manager and the rest of the committee were very cross (Chair N).

Thus there was an ever changing landscape for the owner corporation to negotiate as the push and pull of structure and agency competed to occupy the disputed ground. Few by-laws appeared to be tested at the tribunal level. A more usual response to a by-law disagreement was to challenge the validity of the by-law at the committee level. For Chairs N and L, unjust by-laws appeared to be the impetus for standing for a committee position in the hope of getting specific by-laws over-turned. These committee members were of the belief that the by-laws were risk management gone mad.

... just because one person is a vegetarian and doesn't want the smell of cooked meat. What is the point in having a balcony if we are not allowed to use it? (Chair N)

The wrangling over structural rules requires constant reflexive monitoring by owners as the meaning of by-laws once enacted become apparent. At the very least, the sense of outrage inspired by some by-laws appeared to stimulate participation, and thus create better transparency. However this only occurs where constant reflexive monitoring of action occurs leading to social action through

participation. It also confirms Olson's (2000) claim that owners are likely to put their own good before that of others, particularly where economic considerations are at stake. In Olson's view, the greater the number of people involved with an organisation or community, the greater the propensity for free-riding. Thus larger owner corporations are more likely to experience greater amounts of non-participation, or owners who do not reflexively monitor the situation regularly. It then takes a scenario causing outrage to make them re-tune into what is occurring within their organisation, and exercise agency.

While many of the by-laws related specifically to the use of common property, there was an increasing tendency to place limitations on the use of private dwelling spaces including balconies through the use of by-laws. Half the committee members interviewed had limitations placed on the use of private internal or external space such as courtyards and balconies. Limitations to private space included use of BBQ's as stated above, the type of window furnishings allowed (Chair N); cigarette smoking on the balcony banned (Chairs C, K and N); cigarette smoking internally banned due to air conditioning reticulation and passive smoking concerns (Chairs C, K & L); banning of hanging washing on balconies (Chairs C, K, L and N); types of pot plants and their location (Chair L). Even curfews for balconies were enforced:

It's 10 o'clock on week nights (Chair N).

The enjoyment of private space within the complexes was therefore severely jeopardised for owners, particularly those who had been unaware of the terms when signing their contracts. While the rules were in place, the integrated practices were often missing leading to this statement:

It's difficult to enforce. We have so much trouble getting the message across (Chair K).

It is noted here that had the participants been drawn largely from master planned estates, then the issues raised may have been different. Regardless of the rules, owners were still acting with agency and determining their own behaviour rather than adhering to the rules of the complex. The failure to adhere to rules is evidence that the shared meaning of living within a strata community has been lost.

The use of by-laws can be summarised in two distinct ways. Firstly, they are used by developers and strata managers to uphold the physical standard of the original complex and create a sense of sameness between individual dwellings.

Maintaining the physical standard of the complex - through limiting 'unsightly washing or window furnishings' assists in attracting purchasers seeking to live within that standard of behaviour. Second, by-laws are used as a way to reinforce behaviour modification. Sometimes this takes the form of a stick to enforce administrative compliance as with the timely payment of levies. At other times the purpose is to reduce the risk of public liability claims against the owner corporation through limiting anti-social behaviour. However, once in place, by-laws are difficult to remove (Douglas et al. 2008). Concern has also been raised regarding the propensity for by-law creation that benefits specific individuals. This may occur when owners stand for committee positions with single purpose self-interested issues.

6.2.2.2 Conflict over entrenched interests of owners

Achieving good governance poses a challenge for an organisation like the owner corporation. Buchanan and Tullock (1962) imply that individuals may prioritize their own needs above that of the group, claiming that 'group good' is neither a necessary nor sufficient condition for collective action. The owner corporation has a role in enforcing the group good over that of the individual, as it relates to common property. Motivations may also be different between large and small groups of owners, and this behaviour can be referred to as the "collective action problem" highlighted by Olson (1965). It is perhaps the complexity of managing stakeholder relationships, as well as the need for good governance that impacts most upon owner corporations and influences their capacity to make robust decisions. There are clear instances where an individual owner stands to achieve a self-interested outcome. Even where the owners appear to have the best interests of the complex at heart, it often stems from self-interest:

One of the questions that I asked at the AGM (prior to being nominated for a position on the committee), and asked of the committee, was why are you choosing KPMG? It is one of the most expensive, if not the most expensive accounting firms (Chair C).

The above question led to the owner standing for a committee position. However the initial interest in who was going to be appointed as auditor was one of cost, both to the owner committee and to the individual owner through the levy system. The owner had attended the meeting primarily because she was not happy with the high cost of levies and wanted to better understand what the levies were being spent on. This particular owner was associated with the construction industry in a

professional capacity and had a reasonable idea of the cost of running a large commercial building as a basis for comparison. It was her familiarity with the concept of contracts and tendering processes which ultimately forced change in the way the committee functioned, and how the strata manager presented quotations. To this extent she brought associated 'expertise' to the committee of management and was able to improve transparency of processes and accountability of decision making. Her action benefited herself as well as the collective interest of all owners.

Examples of owner self-interest limiting the functioning of the organisation, or impinging on the collective rights of others were also found:

We all wanted a clothes line. A clothes line! We did not have one because the committee chair [at that time] did not want to see other people's smalls out there in public and blocked change at every opportunity (Chair L).

Here the difficulty of getting a by-law changed is made clear. Owners battle bureaucratic processes as well as owner self interest in order to get a by-law changed. Goodman and Douglas (2008) report that changing the nature of by-laws is difficult with a requirement for seventy-five per cent of owners needing to agree to the change. Even when the majority of owners wanted change, they were unable to affect it because of the seventy-five per cent rule. With high levels of owner disinterest, as outlined earlier in this chapter, getting that percentage to vote to remove a by-law is extremely difficult. Many of the by-laws were created by advertising them on the basis that if there were no objections, then the new law stood. However it was clear that committees and strata managers did not always understand the processes required under the Owner Corporations Act 2006 (Vic) to make a valid by-law.

If no-one objects within the 28 days then they become law (Chair B).

Here then is a major misunderstanding of the provision of the legislation by the owners, committee of management and the strata managers. Observers may recall that one of the key reasons for employing a strata manager within non-profit sectors is to gain expertise that may be lacking in committee members. Yet in this instance, the standard of expertise offered by the management company was not sufficient to maintain adherence with legislative requirements.

Strata managers have a role to play in managing collective action within the complex:

It was decided with (manager) that the best way to tackle it would be through me becoming a committee member and attending meetings.

That way we could nip things in the bud (Chair N).

Whether these cosy relationships exist or not will depend on the norms, rituals and values established by the strata manager. The entrenched interests of long-standing committee members have the ability to frustrate owners, particularly where their views are out of synch with the rest of the owners or committee members. In such cases a ground swell of support may remove the chairman but not the by-law:

We rolled him! He has been rolled! (Chair E).

This member shouted with glee at the memory of a long fought for victory. The frustration of participants unable to get their own way or make themselves heard was reported by both owners and strata managers as, if not a regular occurrence, at least not unusual. The escalation of pent-up frustration and lack of control over participants is highlighted in the following strata manager's comment:

He also stabbed four other committee members' tyres and put grease on the carpets leading up to their doorways on the doorknobs and honey everywhere. ... Several times in our offices here, a fight has broken out between owners (Strata Manager D).

In other cases, neighbours bartered for immunity from violence within their strata complex, by trading rights to various facilities, as explained by Chair L in teary distress.

Oh alright, you can park your car there, but just don't complain about my family violence, drug dealing, drug taking, constant visitors, whatever 'because I'll punch you're fucking head in'. Excuse me. Does that put you right in the picture [crying] (Chair L).

I feel safer sleeping in my car than in my apartment which I own and legally entitled to do so (Chair L).

When relationships between owners reach such a low, there would seem little hope for being able to reach a collective decision in the organisation's best interests. Baumgartner's (1988) work suggests that in these instances, people from lower socioeconomic groups will be more inclined to violence, while the middle class are more likely to engage in subversive tit-for-tat behaviour, or move. Moving

was suggested as a viable way to resolve conflict by Chair C. In either case trust is a casualty and transparency within the organisation suffers, leaving those who are less able to sustain a change in residence at the mercy of such bullying tactics. Under such emotionally charged situations, the suggestion that conflict resolution is merely a matter of requires discussion seems ludicrous:

For most things you just need to talk to people. Nine times out of ten when you approach someone with a neighbour's issue you take them by surprise. They generally say that they had no idea that so and so felt that way. That's what happens when someone is having a blue with a neighbour (Strata Manager A).

Perhaps the issue here is early intervention in a problem, as opposed to letting conflict fester and erupt. Intervention and discussion engages people in a direct way and forces them to participate in the resolution of a problem without incurring the time and expense imposts associated with external mediation and tribunal hearings.

6.3 Conclusion

The structural alignment between developers and estate agents is clear in these accounts, particularly when they are both part of the same company structure. There appear to be elements of shared practices across local government, developers and real estate agents that obstruct transparency at the purchase stage. Purchase transactions for strata titled homes are so complex that experienced business owners find them difficult to navigate. The buildings themselves house complex commercial services, plant and equipment. Strata managers fall into two distinct camps when it comes to whether assistance at the design stage is desirable. There appears little evidence to suggest that owner corporations work better when assistance has been provided during design. Whether strata managers are of benefit during the defects liability period appears to rest on how close their relationship is with the developer, to the detriment of owners confirming the structural alignment between developers and strata managers.

Strata managers state that they assist the decision making process and act as facilitators in the decision making process. The committee members that I interviewed wanted to make decisions, but found it difficult to do so. The interviews provide evidence that some owner corporation struggle with the decision making process. There is a dearth of volunteers to fill positions reported. However

participation in governance may be better if people actually understood what they were buying into. For some, it was a learning process fraught with angst about their new living arrangements that motivated people to either leave or become violent. For others it was a positive motivating factor that saw them participate in the governance arrangements, though rarely from altruistic motives. There is certainly evidence that strata managers can provide a buffer between two or more owners in terms of conflict management.

The above discussion has identified five stakeholder groups: the developer; the estate agent; the strata manager; the committee of management; and individual owners. It focussed on competing interests within the organisation that result in a lack of trust and participation. The lack of trust and participation impacts on transparency of process, however the opposite was also seen to be true. Where standard processes for communication were not followed a lack of trust ensued, and ability for individual owners to participate and be heard was reduced.

The next chapter continues the investigation by taking up these themes of trust, participation and accountability, in the context of contractual relationships between the committee and the strata manager. The aim of Chapter 7 is to shed further light on the expertise of the participants.

Chapter 7 - Expertise and professionalism in an outsourced, contract environment

7.0 Introduction

This chapter consists of two key subsections that complement each other. First, I consider how owners and committee members buy-in, contract or source the services and the expertise they require to undertake their legislated tasks. The first section examines the contractual relationships that exist between owners, the committee of management and strata managers during the life of the strata complex. In considering contractual ties between these actors, issues of governance, accountability and transparency are assessed within a structure and agency setting. The second section examines the issue of professionalism. Professionalism in this context is focussed on the expertise required to fill the various roles of owner, owner committee and strata manager. I give consideration to what it means to be an expert, who the experts are and how experts apply their agency within the owner corporation environment. Consideration is given to the professional behaviours, attributes and qualifications required by each party in their interactions with each other. I highlight issues of power imbalance that result from expert knowledge. This is linked to wider structural considerations and what different actors want or expect from the strata industry as a whole. Giddens' (1984) structuration theory is used as a lens to highlight the interaction between various actors.

7.1 A question of contracts and accountability

Strata managers charge a management fee for service that is a recurrent cost to the owner corporation. The strata manager fulfils three key functions: administrative; secretarial and financial (Lei & Van der Merwe 2009). Their role is not that of an employee but of a contracted expert, providing what Giddens (1993) refers to as specialised knowledge. However while the strata manager takes on these duties, they are not the decision makers, the decision making capacity within the Victorian legislation stays with the owner corporation committee of management, and thus the owners. This situation is similar to the South African experience that Lei & Van der Merwe (2009) outline. Thus the owner corporation as decision makers, through the legislative rules hold considerable power or are enabled in the Giddens (1993) sense.

Attention is first focussed on the issue of transparency and accountability as it relates to how owner corporations source the expertise of their strata manager,

and the considerations that are derived from the contract environment during the functioning stage of the organisation. Firstly the appointment of the strata manager is addressed. Secondly, consideration is given to the facilities management contracts. Thirdly, additional service and works contracts facilitated by the strata manager, but not designated as third party contracts, are considered. Finally, aspects of undertaking work where no strata manager is in place are considered.

7.1.1 Contracts the owner corporation and the strata manager

In section 7.1, aspects of developer influence were discussed in terms of the planning, design and construction process, and the property sale and building defects processes. It was noted that at this stage, the developer holds significant power and it is difficult for the individual purchaser to exercise agency and therefore influence wider outcomes. The purchaser's agency is largely limited to whether to proceed with a purchase and negotiations over purchase price. This section tests transparency and accountability during the appointment of the strata manager process. It is at this stage that owners (as actors) have the greatest agency whether purposive or individualistic. In discussing the process of forming an owner corporation, discussion is progressed to considering ongoing contracts. It should be noted that in Victoria developers have been banned from staying on as the strata manager. This was to limit issues of conflict-of-interest between the two roles, particularly within new buildings still under warranty. However the management of two of the building complexes in which I interviewed were still tied to the original developer. Discussion turns initially to issues arising under such a regime.

The owner corporations that operate in this complex, there are five, are tied to the developer. He appointed the strata company for a period of five years with two five year options to renew. That is - you know, the strata company which is a subsidiary of the development company, has the option to renew, but we don't have the option to not renew their contract. We are bound to them (Chair C).

The above statement raises two issues. First, there is a limitation to the agency that can be exercised by owners. The owners' agency is once again, limited to on-selling their interest in the complex in order to sever ties with the developer or strata manager. This is a drastic step that may see an owner lose a substantial sum of money in the exchange, due to the costs involved in the sale process. The

second is the purposive action of the developer. The action taken by the developer to appoint themselves as strata manager on highly advantageous terms means that they have the ability to guide and provide advice on issues of developer liability to the owner, limiting the agency of the owner corporation in the matter of insurance claims.

Lei and Van der Merwe (2009) note that within the South African context, developers must tender all appointments for strata managers. Their term is limited to one year maximum and their contract needs to be ratified by the owners at their first meeting. However when legislation was passed in Victoria in 2006 to stop developers from appointing themselves as strata management companies, no retrospective legislation was passed. Properties built before 2006 may still in some instances be tied to the developer in terms of ongoing management. The situation with contracts is unusual in this instance, where the owner corporation is bound for a total of fifteen years should the strata manager take the option to renew. This appears to be an excessively long period of time, and under the equivalent South African legislation would be void according to Lei and Van der Merwe (2009). Regardless of the standard with which the duties are undertaken, the owner corporation, in this instance, has no choice about reappointment. Under such circumstances there is little incentive for the strata manager to act in a way that is accountable to the owner corporation for the majority of the fifteen year period. Their services and fee for service is guaranteed for a 15 year period.

Yet even with the separation of duties between developers and strata managers there appears to be no significant understanding of the conflict-of-interest that ensues or the disadvantage that it places owners under. One strata manager appeared to lack understanding of the legislation even though he was able to recite the legislation and what it meant.

We started developing our own units and that is how I got into this.

We still manage some of the complexes. ... Conflict of interest? There is no conflict of interest there. It's not allowed under legislation any more (Strata Manager B).

In the above interview, the strata manager is able to recognise the relevant legislation, and parrot the meaning of the legislation, but is unable to apply the principles of separation of duties and attendant conflict of interest to his own situation. This is significant, since this respondent had played a significant role

within the strata industry. The strata industry represents itself as a professional body and is a key player at the structural level having links to the insurance and banking sector. However it would appear from this statement that lip service only is paid to legislation, which in turn impacts on the viability of the legislation and the owner's ability to exercise agency within this framework. Giddens (1993) considers that conflict of interest relates to the purposes of individual actors and the interest of collectively. Therefore it should not be treated as a problematic component of divergent group interest. However for Chair C, the lack of transparency and subsequent conflict of interest is clearly problematic.

7.1.2 Trading contracts

Chair C experienced difficulties over and above being tied to the developer that were not seen in the other interviews. In this instance, as well as being tied to the developer owned company for an extended period of time, the developer had on-sold the management contract to another strata management company, further limiting the individual owner agency as well as that of the owner corporation.

The developer sold the (strata development) company, so we ended up with a change in strata manager that we did not approve or have choice in. He (the developer) then bought it back again (and became the strata manager for a second time). We cannot walk away from the contract because of the options agreement. ... We have thought about legal action to break the contract (Chair C).

Yet even within this context, agency can be applied at a cost and carries significant risk factors for the owner corporation (and therefore individual owners). This type of action, intentional, would fall within what Giddens (1993) calls purposive action. Within the facilities management and estate agent industries, it is not unusual for companies to be taken over by new firms. Contracts and lists of customers can be on-sold. Consider for a moment, the sole trader cleaning company that seeks to sell their business. The cleaner may sell the business goodwill to a larger national company and in so doing the new owner inherits the residual of the contracts held by the original small company. Customers are generally happy to receive continuity of service and, if they are unhappy, choose not to reappoint the new company at the end of their contract. What is unusual here however is the extended time lag for renewal (15 years), which negates any ability on the part of owners to choose the strata management company. The change in ownership of the company is also a concern. Selling the company and then buying it back negates the intent of the

legislation, in that the developer's direct involvement in his appointment as strata manager is broken through the intervention of the business sale and buy-back. This example highlights the strength of structural influences at play. The rules are set by industry who control the resources. The integrated practices have meaning for the owners. However, their reflexive monitoring of the situation is negative, as they strive for a means to effect change upon the status quo. The owners are in a sense, mere pawns in the developer's plan to maintain control of the complex and reap profit. The extent of this profit is commented on.

7.1.3 Strata manager contract renewal

In discussing the renewal process, the committee members and strata managers agreed that the usual contract length was between one and three years duration. Within the strata industry, standard contracts are generally for a three year period with an annual renewal clause. Strata managers' report that there are sound business reasons for this:

There is quite a bit of work involved in the initial set up so if you only have a one year contract you are sort of putting yourself at risk a little bit. You are not going to get a return for that first year's investment if you like. ... The costs are higher for us in the first year (Chair F).

The administrative handover costs to the new strata manager are stated as significant. There is a need to recoup handover costs as with any business transaction. However, because the hand-over period is not charged to owners as a separate discrete piece of work, the owners may be less likely to understand the costs associated with the changeover period. The standard rates for strata manager work are inflated in order to cover the upfront costs, therefore the longer the strata manager can hang onto the contract, the greater the profit for a decreasing amount of administrative effort.

While much of the discussion in this chapter has been about dissatisfaction with the appointed strata manager, clearly some committees have settled relationships with their strata managers.

Yes, it's always been (strata manager). I think he has been there for 17 or so years (Chair I).

Chair I stated that her complex was happy with their strata manager and had no reason to consider changing. The relationship became symbiotic with each party content with the status quo. However the respondent also stated that she had

never seen the contract that the strata manager was signed up to, despite the fact that she had been on the committee for nine years.

I really sort of thought that it would come up every year and be renewed at the annual meeting, but it could have been in the minutes and I haven't - but I haven't seen it (Chair I).

The comment above reveals a fundamental flaw within the owner corporation environment, that is, committee members do not always see the need to monitor their key contracts or negotiate their outcomes. In Chair C, the committee was concerned with the strata manager's contract because they wanted to break it. However, breaking an existing contract is clearly not on every committee's agenda. Monitoring the contract was identified as a priority only where one wished to break the contract, not where trust existed between the committee and the strata manager. Where there is no desire to change the strata manager, the committees of management appear to put the contract in a drawer and forget about it. The literature identified that trust was key to increasing participation and increasing governance outcomes overall. The failure of committees of management to actively monitor the contracts to which they are a party lacks accountability and sound stewardship principles. The above committee member stated that she attended the AGM but does not appear to be familiar with any aspect of the contract and refers to the minutes. Other reasons for not monitoring the contract were identified.

The failure of owners to actively monitor their strata manager's contracts appeared to be endemic, though the reasons varied. Chair I trusted her complexes strata manager to do the right thing. In the previous chapter, Strata Manager B reported a lack of participation and interest by owners more generally, and through non attending AGMs, the abdication of all responsibility for the complex, with owners mistakenly believing responsibility is vested in the strata manager.

Some owner corporation sought to actively manage the contract, but had difficulty getting hold of it. This is clearly a power play tactic by the strata manager:

Some of us are in the process of trying to find out the terms of our manager's contract. We don't have the paperwork. An attempt to look at all the paperwork at the strata manager's office was blocked (Chair E).

This statement raises two points. Firstly, there is a need here to question why an owner corporation may not have the paperwork outlining the strata manager's appointment. Sound management of any organisation requires adequate filing and

storage of key documents, including copies of contracts, agenda, meeting minutes and other financial matters. Notwithstanding the fact that the people filling committee positions change from time to time, complete sets of documents should be handed over with the change in committee membership. Inadequate handovers for non-profit board members was identified by Miller (2002) as an issue. This concern may now be extended to owner corporations as non-profit organisations.

Secondly, the attempts by strata managers to impede owner corporations from seeing the paperwork to which they are signed up, does not appear to be a one-off occurrence. For example Chair L also commented on this aspect:

I have tried to make appointments to go out to see the (strata manager's) contract ... It has never been convenient for them (Chair L).

In this instance, the property manager's office is more than fifteen kilometres from the actual complex, making access to the documents difficult during business hours. In addition there appears to be an unwillingness by strata managers to openly provide access to the documents, thus limiting owner and committee agency. Blandy (2010) refers to a tyranny of distance which affects the owner's ability to adequately access maintenance documents. In the judicial case cited by her, it was found that the strata management company was at fault in expecting the owners to travel large distances to vet documents. This theme of strata managers having the upper hand in relation to controlling all documents is striking, since it shows the difficulty that owners and committees of management have in managing their responsibilities under the Act¹⁵. This is a key accountability role for them in an outsourced, contract environment that is central to good governance. It also highlights the difficulty owners face in taking purposive action leading to an exercise of agency through the committee structure. Building on Norton's (2007) work, in this instance, the power in the narrower relational sense remains a property of interaction, and cannot be said to be transformative. The strata manager has limited the ability of the owners and committee members to transform their circumstances by exercising power in the form of domination over the situation.

During the interviews, contract renewal was an issue also raised by strata managers. They felt there were limitations placed on their ability to enact agency

¹⁵ Owner Corporation Act [69/2006] at www.legislation.vic.gov.au.

because of the failure of owners and committees to undertake purposive action. Specifically, when quorums are not reached at the Annual General Meeting (AGM), the strata manager's contract renewal will roll over for one more year. However, no changes to the contract including fee structure is able to occur.

... all that we can do is continue to do what was done the year before.

We can't increase. We can't decrease. We can't make any suggestions (Strata Manager B).

This creates a problem for strata managers where it continues for an extended time period. Costs to the strata management company do not keep pace with Consumer Price Index (CPI) increases, limiting profitability. The strata manager may reduce services in order to cover costs under these circumstances or become lethargic about carrying out their duties. McKenzie (1996) considered non-attendance at owner corporation committee meetings and low participation numbers to be a key factor in poor transparency and accountability outcomes. When non-attendance occurs, none of the interested parties are able to effect change because comment on the quality of strata management is not occurring. Moreover a disinterest in the complex by the owners may lead to a disinterest by the strata manager. There is no external stimulus to push the strata manager to maintain their contract conditions to a rigorous standard. In short, it is an abdication of responsibility via non-attendance of duties to the organisation's key stakeholders, the owners. There is little recognition by owners that an outsourced contract based mechanism exists that needs to be monitored through its committee structure. Though not a legal expert, Giddens (1993, p. 3) considers that in legal theory a person is regarded as culpable where it is adjudged that he or she 'should have known'. Applied to this instance, the failure to enact agency and attend to organisational duties 'should have been known' to the committee, indicating that the committee is ultimately responsible. Giddens' point is that agency and accountability is experienced through the interpretation of governing law.

7.1.4 Cancellation of an existing strata manager's contract

Thus far, interviews have revealed a failure on the part of both the strata manager and the owner corporation to fulfil their duties as contract partners. In such instances, where differences cannot be resolved cancellation of a fixed term contract may be sought by either party. Both strata managers and committees of management agreed that there were grounds for cancellation of a contract:

In each committee (where I am an owner) there has been something that would be deemed to be worthy of a cancellation of contract. ... We are hoping that mediation will give us some sort of satisfaction. Otherwise we feel that there are definite areas there that are for litigation (Strata Manager & Chair H).

However cancellation of an existing contract was considered to be a difficult and time consuming option. There appeared to be no trust in the legal system that is set up to deal with this type of conflict. Douglas et al. (2008, p. 4; Libbis & Leshinsky 2008) note that dispute resolution in Victoria takes a three tiered approach. First, internal dispute resolutions including mediation may occur. Second, application to the Director of Consumer Affairs can be made, requesting external mediation of a dispute. Finally, application to the Victorian Civil And Administrative Tribunal (VCAT) may occur. However in reality, few committees of management have an internal dispute mechanism, and most disputes are listed with VCAT for hearing. The increasing VCAT workload and lengthy delays for hearings has prompted Strata Community Australia (2011) ¹⁶ to recommend compulsory mediation for all disputes. In this case Strata Australia are enacting what Giddens (1993) refers to as purposive action leading to the transformative effects of structural change.

Two key reasons were outlined for the change to mediation. The first was that existing tribunals were a costly process for individual owners, committee of management, strata managers and the court system. When the tribunal process was first introduced, there were fewer strata complexes, the strata management industry was almost non-existent and the building infrastructure and common property were less complex. It was a time when strata experts were few and rarely called to give evidence. The tribunal lists were shorter, meaning there was less delay in having matters dealt with. Lawyers rarely attended to represent clients. The case today is vastly different. Litigation rates have increased substantially as the industry has grown and faith in the VCAT system has diminished over time. The move to mediated outcomes has financial benefits at the state level also. As this strata manager put it:

(VCAT) came out as the new you beaut fix it, but the length of waiting time and the strange decisions that are coming out. I think that a lot of people are just steering a little bit clear of it. It is ok for basic account

¹⁶<http://www.stratacommunity.org.au/>

collections, but you really don't want to have to go to VCAT if you can avoid it. I am sure that there is a lot of mediation being done that perhaps wasn't being done before. Mediated outcomes are being arranged - merely done on the 'oh well we will take you to VCAT' (Strata Manager & Chair H).

The last sentence of this quote is interesting because it provides an indication that the industry is working towards a system of mediated outcomes rather than tribunal and court rulings. When mediation occurs, transparency is reduced. The issues are not debated openly, deals are done behind closed doors and the outcome is not open to public scrutiny. The lack of public scrutiny is beneficial to the structural interests of the strata industry. Committees of management are no longer able to view court listings and rulings to gain an idea of past strata manager behaviour and practices. Mediated outcomes allow the strata industry to hold their head up and say 'look we have not had any adverse court rulings against our members. We operate with high standards of professionalism'. The cost of mediation is borne by the participants rather than the state as with court and tribunal heard cases, allowing state governments to save money. The entrenched interests of government departments are upheld with a mediated system. Government departments will be able to wash their hands of mediated outcomes and point to a 'better' functioning system, despite the lack of transparency. Against these entrenched interests, the owners and committees of management may benefit by shorter timeframe resolution and in some - but not all cases - legal costs may be lower. Since the strata industry are more likely to hold lawyers and other consultant experts on retainers than are owner corporation, the mediation system may well lead to a 'David and Goliath' system in which mediated outcomes provide poor results to owners and committees of management. However mediation very much depends on 'best' argument rather than 'right' argument. The law therefore will not be tested in a public way. Mediation may benefit owners and their committees of management relative to tribunal mandated solutions. However, it is likely to be of greater reputational benefit to strata managers, as disputes are hidden from the public eye.

7.1.5 Subservient contracts where a strata manager is in place

The strata manager's contract represents a significant undertaking for an owner corporation. However it is not the only contract that was commented on by

participants. All of the participants commented on the series of contracts organised by strata managers to cover items such as cleaning, maintenance, gardening and caretakers. None of the participants identified these contracts as third party contracts. A third party contract is said to exist where sections of a primary contract is outsourced to a third party, with the third party remaining responsible to the contractor, not the owner. However in all instances, the contracts while arranged by the strata manager remained primary contracts between the owner corporation and the service provider. This arrangement creates difficulties for the committee of management and individual owners. For example, the committee members remained unaware of the work contract details, and as with the primary contract, they often had difficulty getting hold of the individual work contracts in order to ascertain what terms the owner corporation was actually signed up to.

No, No, we pay for the (cleaning) contracts, but we never see them, we don't know what is in them, so we can't argue effectively as to whether they are meeting the contracts. We don't know what is in and what is out. When we say but the cleaning has not been done, they (strata manager) wave a sign-off list to say (the cleaners) have. But if the cleaners have attended, how come we need to vacuum our own hallways. We never see them. Something is not right (Chair C).

This quotation reveals a key failure of the contract system for owner corporation. The terms of the contract may well be being met, yet the clients are still unhappy with the service being provided. The strata managers do not see it as their role to oversee the contract beyond arranging payments to the contractors. So, for example, the cleaners are not overseen. The inability of owners to gain access to the contract conditions dis-empowers them from overseeing the contract. There is no requirement for the committee to sign-off on the performed duties and the standard of work prior to the strata manager organising payment. It is unclear as to whether a standard of work has been agreed by the owners prior to the letting of contract. Moreover Strata Community Australia (Victoria)¹⁷ has recently released a statement in regard to the pre-tender vetting arrangements for these types of contracts (OCV 2011). In this advice contractors make an annual 'cost cover' payment to the strata manager for keeping contractors on their appointment books. In effect this means that the strata manager is double-charging for arranging the

¹⁷ Strata Community Australia (Victoria) was previously known as the Owner Corporation of Victoria. The name change occurred when the national body was formed in 2011.

contract, once to the contractor for registration with their office and once to the committee of management as part of organising the contract.

Strata managers appear to have the upper hand in all contractual matters. This is despite them having no decision making power. One owner corporation reported that the failure of the strata manager to pay an invoice had caused difficulties:

The owner corporation manager claimed that it was within his rights to choose not to pay the (contractor's) demand for payment and we got sued for \$26,000. ... I said 'is it not part of your responsibility if you choose not to pay an invoice, should you not bring that to the attention of the owner committee so that we can be involved in that decision?' He said 'I have the power within my contract to pay or not pay invoices'.

The power embedded in the contract conditions between the strata manager and the owner corporation regulates the interaction between other service providers employed at the strata complex. The strata industry mandates the contract conditions through standardised contracts that are drawn up in the industry's favour. There appears to be no external input from committee members or steering groups into the formation of individual contracts. Of greater interest is the fact that there appears to be little input by owner committees into the scope of works attached to the service contracts. The transparency of contracts, their terms and conditions and the inability of owner corporations to monitor contracts has significant ramifications for the owner corporation, in issues of transparency and accountability, factors that are so embedded in the trust relationship discussed in the previous chapter.

7.1.6 When there is no strata manager

There has been considerable change in the landscape for strata titled properties over time. New properties are more likely to have had a strata manager appointed from the start. However, in regional areas, and areas where smaller developments exist, there is still a significant proportion of strata titled properties where no strata manager has been appointed. The following section considers what occurs in a smaller complex with no strata manager. It acts as a point of comparison for some of the contractual issues raised above. The discussion now turns to stakeholder relations and management issues within these complexes.

In my area I would say that 85% plus of body corporate are self-managed, they don't have a manager and a large percentage of those would definably be non-compliant with the Act (Strata Manager F).

That some strata complexes are non-compliant with the Act is confirmed by an email I received in response to a targeted letterbox drop seeking participants. The respondent later agreed to publication of this email:

I don't think we can help you as we do not have either a strata management company or a committee (email 1).

This email was provided by an owner within a seven unit town house development. Under existing legislation, any strata complex of more than two units is required to meet annually to appoint office bearers, which automatically makes this owner corporation non-compliant with the Act. The owners appear unaware of their obligations to each other under legislation. They do not appear to understand that they are in breach of the law. The organisation clearly lacks accountability in relation to the system that set it up. Because the owners in the above email were unwilling to be formally interviewed, information on how contracts are managed in smaller complexes in an informal or semi-formal setting was drawn from just one interview. There may well be some informal network in place between the owners. This was the case where Chair M lived:

We just had a really lovely kind of, very informally written, but more of a verbal arrangement where we would just kind of negotiate responsibilities or works or whatever and the manner in which we would do that (Chair M).

Chair M goes on to describe their contractual arrangements as reactive, but well-coordinated.

Definitely reactively. But when there is an issue, I think that it is coordinated well. But then, well I would have to say that really, because I'm coordinating it.

However there were also concerns of a financial nature which were explained in terms of differing values. Differences in values and standards was noted by Blakely & Snyder 1999; Low 2003; McKenzie 1996) as areas of potential conflict between owners.

You need participants who kind of have a shared set of values I think, because like I'm relying on them to pay half the bill. So it is kind of a leap of faith. It would be quite possible that you could get someone who you know, did not see it as problematic if they left it, didn't pay their bill for three months or something like that (Chair M).

This was a particularly important point because the invoices and quotations in this complex were always sought in one name, with a verbal reliance on the other person agreeing to pay half the invoice. Under these circumstances the owner's agency is limited. Difficulty arose for this owner when she sought quotations from contractors addressed to more than one owner and unit within the complex. She highlighted that there was an element of trust between owners when it came to invoicing, and this was heightened because there was no personal financial buffer in place. There was no joint account with her neighbour to draw on for expenses in relation to the complex.

I don't have a financial buffer at all. I would just probably borrow against my mortgage or something like that, which I could do, so it is kind of not irresponsible of me. But I think that is part of the trust as well. I've got no idea of their financial status and they've got no idea of mine. So yeah, that is kind of vulnerability I think (Chair M).

The ability to create a system of trust appears more apparent between owners within smaller complexes. Participation in solving problems in a collective way for the good of both owners relies on good-will towards neighbours. Perhaps it is just that people are less likely to shirk duties where people are on what Alterman (2010) calls 'nodding terms'. Closer proximity forces participation and this in turn builds trust, transparency and accountability towards neighbours within smaller complexes, which fosters greater exercise of agency by owners.

A contract is a formal relationship between two or more people or entities. The above discussion has focussed on four contractual areas: the relationship between the strata manager and the owner corporation; the relationship between the strata manager, owner corporation and other contracted service providers; the relationship between contracted service providers and owners where there is no strata manager; and contracts between owners where there is no strata manager.

7.1.7 Contracting-out summary

This section of the chapter has emphasised the contractual relationships between each key stakeholder highlighting issues of governance and stakeholder relationships within an outsourced environment. The strata manager is engaged through an outsourced, contract based mechanism designed to increase compliance with legislation, and thus mitigate risk to the owners. Yet what benefits do these contractual arrangements bring to the committee of management, and

hence the individual owners? The committee members interviewed outlined difficulties in their contractual relationships which formalise the outsourced activities and lay much of the blame for this on the convoluted contract mechanisms that exist at the buying stage and a lack of information, advice and assistance when purchasing.

Yet much of the contractual conflict reported was between strata managers and the committees of management. The contractual power stayed with the strata manager, and some owner corporation appeared content with this outcome. Certainly in complexes where no owners attend AGMs, there is the assumption that the owners are content for agency power to stay with strata managers, though they take on limited risk with the transfer of power. For others, the wresting of power from the structural influences of the developer and strata manager appeared to be the cause of much of the conflict. Trust, participation, accountability and transparency dwindled as the outsourced contractual relationship was tested and found lacking.

The following section considers why conflict may exist within the context of professionalism exhibited by the parties concerned.

7.2 Professionalism and expertise

In the Australian context, strata managers provide expertise to non-profit boards made up of strata property owners. The strata industry sets itself up as providing professional, expert management or, in Giddens' (1984) words, 'specialised knowledge'. In the previous chapter it was noted that strata managers assisted the committee of management by performing administrative duties on behalf of owner corporations thereby contributing to sound governance. The first part of this chapter considered whether the outsourced, contractual ties between various stakeholder groups assisted the owner corporation to function. This subsection considers what type of assistance the strata managers believe they offer to the owner corporation, and what qualifications they need to underpin that assistance. I then consider how this view fits with what committee members believe they are getting and what they want. It then comments on similarities and differences between the two views.

7.2.1 Expertise, professionalism and the strata industry

At the time of these interviews Australia had no national or state related professional qualifications for strata managers. In Victoria, where the interviews

predominantly took place, there is a state based licensing system for strata managers. However, the Victorian system, administered by the Business Licensing Authority Victoria did not require any form of professional qualification in order to be registered. Rather, the mandatory licensing system provides surety to owners and committees in terms of purchased professional indemnity insurance and an indication that the strata management company will remain solvent:

‘You can register as an owners corporation manager if you are:

- 18 years or over
- have the required minimum level of professional indemnity insurance cover of \$1.5 million
- not insolvent under administration (i.e. bankrupt)
- not a represented person within the meaning of the Guardianship and Administration Act 1986’.

(<http://www.bla.vic.gov.au/home/owners+corporation+managers/>
accessed 12/7/2012)

Strata Manager and Chair H summarised the licensing registration requirements in Victoria:

I registered to be a licensed manager. My father lived in one of the units. I met all the licensing requirements with my other businesses anyway. And I thought I could do a better job for these elderly people.

Not only do the job but do it with heart (Strata Manager & Chair H).

As with Strata Manager and Chair H above, all the strata managers interviewed were licensed and all the committees of management employed licensed strata managers¹⁸. This situation is different to the one that Lei & Van der Merwe (2009) outline. In their comparison between South Africa and China, the licence was given only to strata managers who met specific professional requirements. New strata management companies had to start at the lowest level and work their way up, and the highest level required set numbers of employees with a range of qualifications. However two of the committee chairs indicated that they were unsure of the licensing status of their manager and did not understand the licensing system:

I don’t think I was aware that they needed a licence (Chair L).

¹⁸ The strata manager’s licensing and business status were checked in the course of background investigation and prior to the interviews.

and

I thought that if they were licensed they would have qualifications in the area but it appears not to be the case (Chair E).

The licensing system is designed to ensure an element of redress should things go wrong, but does not address the issue of knowledge, expertise or professionalism within the industry. Yet strata managers assert that they are experts accorded with professional standing. As discussed in the previous chapter, strata managers take on a role similar to an outsourced CEO position within non-profit companies. The interviewed strata managers asserted that they understood the Act, and that many of the difficulties encountered related to a lack of clarity in the legislation itself.

We understand it (the Act) really well, but one of the things that is still a concern is that the Act itself is not clear and defined (Strata Manager D).

However at 7.1.1 it was noted that the legislation was clear in relation to the segregation of developer and strata manager roles. Strata Manager B was able to cite the Act yet at the same time state that they were breaching it. He breached the act by acting as a strata manager to a unit complex that they were also the developer for - thus failing to identify a conflict of interest.

To tease out this issue of expertise and professionalism further, strata managers were asked what skills and attributes they thought were necessary for their own role and that of the committee members. This understanding is important since 2013 has been earmarked for the introduction of professional development schemes for strata managers at a national level.

7.2.1.1 Strata managers and their backgrounds

The backgrounds of the strata managers interviewed were varied. Included were a businessman who described his background as administrative. At various times he had managed a brickworks and a silverware factory. He felt that his skill-set fitted with the strata industry since both were detailed, technical and people oriented. One was making coffees for his uncle in a café. Another had previously been a bank manager and was looking for a change of direction after taking a redundancy. Others were drawn from property related industries such as engineering, quantity surveying and conveyancing:

I have always worked in a professional capacity. This is a side business to my building surveyor role, so I understand all the technical issues (Strata Manager G).

Despite the varied backgrounds, all strata managers stated that they were business oriented people looking for business opportunities.

I saw an opportunity and took it (Strata Manager A).

The proposed national professional qualifications (Certificate IV in Property (Strata Management)) provides a detailed focus on the technical aspects of the strata property mechanism including an understanding of the various state based Acts:

You will learn the fundamentals competencies and concepts of property and business law, agency risk management, management and maintenance procedures, property security issues and a range of agency administrative processes and procedure including financial and trust accounting skills involved in the proprietorship and management of Strata/Community Title Management Agency practice. (<https://www.tafensw.edu.au/howex/servlet/Course?Command=GetCourse&CourseNo=9674>).

One strata manager agreed with the proposed competencies:

There are a whole lot of, range (of competencies) that each manager needs. Obviously, accounting, people skills and most importantly, time management being able to do everything all at once (Strata Manager D).

Others felt that a range of competencies were necessary, though not necessarily those outlined:

That's the benefit of these professional associations. There is always someone you can ask to get advice when it comes to the letter of the law (Strata Manager F).

Knowledge of the relevant state-based legislation was seen as less important by strata managers, yet Lei and Van der Merwe (2009) consider expertise in this area to be a key requirement for strata managers. Other strata managers viewed their roles differently. Strata Manager G considered professional integrity more important than task focussed outcomes:

I don't think it really matters that they are a surveyor, engineer, lawyer or accountant as long as you understand the importance of a code of ethics and the importance of working with integrity, and making sure

that no one's interests supersedes someone else's either in individuals or in groups of peoples (Strata Manager G)

While for Strata Manager J, the role was not about the skill or attributes that strata manager's brought to the table at all. It was about the business work culture and who fitted in with their business rather than what the owners specifically wanted:

Look, I've changed my view completely, I mean we've gone through where we've sought experienced managers that have come in from other firms that simply haven't lasted with us. ... So my policy now is for, I'm looking for smart young ones coming through the industry, because when you employ mature experienced managers and try to bring them into your culture, my culture just fails (Strata Manager J).

Most strata managers however believed that strata management was a people-oriented role rather than a property related one. This may be why the backgrounds of strata managers were so varied:

I think this is a people business. I know it is a property or property management business but you are actually dealing with the people who are the lot owners, so I think that if you didn't have people skills it would make your job very difficult (Strata Manager F).

People skills are important for conflict resolution, and defusing the highly emotional situations that may occur within strata meetings and between owners is important:

I don't have any formal training ... I'm not a marriage guidance counsellor. I'm doing this for the good of all the owners, which is the body corporate's role and this didn't involve all the body corporate, or committee, it was actually one disaffected ex committee person (Strata Manager G).

Despite this focus on people skills and conflict management, some strata managers believed that usurping the power vested in the committee of management to direct meeting procedure was to the advantage of all committee members:

I usually chair the meetings. It's more efficient. You can control the meeting and things don't get off track so easily (Strata Manager J).

This strata manager was task-focussed rather than people-focussed. His motivations were centred in the self. There was little understanding of the 'unintended consequences of action' (Giddens 1984, p. 5). This approach did not

sit well with committee members who wanted to exercise their agency but were unable to do so:

The strata managers were chairing it! They just took over! They ran it!
And the strata manager sat in the chair! We were a bit dumbfounded
(Chair E).

Strata Manager G took a slightly different approach varying his involvement in the chairing process according to individual need:

If you have a good chairman, that really helps. If you don't have a good chairman then I tend to do the chairing. You still need people who respect the value of having an effective meeting and giving everybody the chance to say something (Strata Manager G).

The approach undertaken by Strata Manager G is more akin to Giddens' (1993) approach to networked structures, where individual agency is leveraged against others in order to effect group agency, each party within the group benefiting. Strata managers considered that there were desirable and less desirable attributes that owners and committee members needed in order for the organisation to function. They impacted on the strata manager's ability to effect sound management of the complex.

Well you need a balance of ideas, and having an uneven number is always good. You have someone to break the deadlock. Common sense. They need common sense and an ability to work with others. To be able to listen and see differing points of view. The problems that come up area varied over time, so just because you have a building background does not mean that that is always a relevant experience. The best one I work with has a teacher at the helm another has an 86 year old Irish women. The thing they have in common is a desire to get along with people and not have any particular axe to grind (Strata Manager A).

So here again people management was a key attribute. While strata management companies are able to interview their employees prior to a job offer, committees of management cannot interview prospective owners to ascertain their people skills any more than they are able to be interviewed for technical abilities:

You've got to be careful. Sometimes I'm fortunate enough to have competent committees, professional people. Across the industry there will be plenty of instances where people have a butcher, a baker, and a candlestick maker, and it makes it very hard to be looking at those

people saying 'well what do you think?' They won't know (Strata Manager J).

One strata manager believed that the growth in property prices combined with the growth in inner city apartments would change the committee makeup over time:

Things are changing. I target the larger inner city complexes. They are more likely to attract business owners and professionals because the costs are so high. They are more time conscious and used to doing business. Easier to get along with generally (Strata Manager J).

This observation echoes Baumgartner's (1988) view that groups of similar socio-economic background will tend to group together and that the conflict enacted by middle and upper class residents will take on a different shape or form to that of the socio-economically disadvantaged. From this passage we can assume that there is less overt conflict enacted within Strata Manager J's complexes. Pre 1990s a larger proportion of strata complexes were small in nature and limited to suburban residential blocks. They sought to provide housing for older residents who wanted to downsize. The case is different post 1990s where the size of apartments is increasing with many now larger than the average suburban house, and more people of all age groups seeking apartment and townhouse accommodation. Smaller, older or more affordable unit developments may tend to have a greater socio economic mix. It was with this in mind that I questioned committees about the makeup of their owner group in section 7.2.2.

7.2.2 What strata managers want from their clients

Strata managers were clear about their role as administrative support for the owner corporation. Some sidestepped the issue of key competencies considered necessary within the proposed accreditation schemes, deeming the schemes to be less important than the overall requirement for people skills. I was interested to see how close this view was to what committees believed were necessary core competencies for strata managers, and also how strata managers viewed their own level of competency. It is to this discourse that I now turn:

I would love to have someone with a legal background, accounting knowledge, finance background and of course someone with building knowledge. Those are the backgrounds that would really enhance a committee. Unfortunately the one who is an accountant is also a director of (strata management company) because they also own a lot.

So every time someone asks questions, he answers them but it would be a biased or conflicted answer (Chair C).

I think financial management is the important thing. You need to have money in the sinking fund and it needs to be managed (Chair I).

Knowledge of law and finance were recurring issues for owners who believed that they were often given conflicting or wrong advice by their strata managers:

I have to say legal, because everything that an owner corporation does has a legal fall out. And if you don't know where you are about to go wrong, you are in trouble (Strata Manager and Chair H).

While some owners believed that a legal background was required, others considered specific knowledge of the Owner Corporation Act to be more pertinent:

Have a complete understanding of the Act to begin with. The skills to implement the Act. The ability to – what is that word – transparency (Chair E).

Knowledge of the Act did not rate highly with all strata managers. For example Strata Manager F believed there was always someone to ask rather than needing to have the knowledge up front. While others considered that although this was important, more general administrative skills, experience and a 'professional' attitude were important:

Ideally, I think law, property law so that you can have someone with a legal background that would be useful. I think people with good administrative skills. That know how to take minutes of a meeting and how to record conversations, how to disseminate information to all the parties. I also think someone who has got a clue about how meetings are run as well, so um. You know I am very used to dealing with committees at management. If you didn't have someone with some of those ideas, I think there would be an absolute bun¹⁹ fight. A chaotic bun fight (Chair K).

and

So maturity, training, specified, certified training in conflict resolution and transformation, business management information systems, and regular certification, automatically without request, provided to the clients that he represents, not just the committee, of his ongoing relevant training that is relevant to his role. And it should be a pre-

¹⁹ Colloquial. A bun fight means a dispute possibly leading to bullying and physical fighting.

requisite for the overarching principle of some firm that his individual property managers go through that stream (Chair L).

The range of views expressed by committee members spanned a number of areas that broadly reflected the proposed national competencies, focussing on law, finance, property and administrative skills. However the comments committees made in relation to what was lacking in their dealings with strata managers were perhaps more illuminating than the skills they outlined as necessary:

I don't think a lot of them are professional enough. I don't think they've got enough experience. They just take the minutes. They have no communication or people skills (Chair K).

We are inexperienced so we need someone who can guide us in relation to the legislation for a reasonable fee. Also to take on issues of contracts and overseeing them and making the building function properly. ... There are times when (strata manager) just seems to get in the way. He creates more trouble than he is worth at times. The invoicing is a good example (Chair N).

I went to VCAT. ... That is not the first piece of information that they have given us that is radically wrong (Chair E).

The perceived lack of professionalism and experience, the provision of incorrect information and the inability to run contracts with transparency emerged as key issues for the committee of management. Much of the conflict experienced between the strata manager and the committee relates to administration of contracts and a failure of transparency. The transparency aspect however did not appear to be a significant concern for strata managers, as outlined in the above sub-section. The principle of governance to which transparency is related does not appear to form a necessary part of the national core competencies for strata managers. Communication and people management skills appear lacking in terms of the proposed accreditation. The lack of attention to these skills has an effect on the amount of conflict that is able to be defused within the complexes and in dealings between the committee and the strata manager. High levels of conflict appeared to be a major concern of committee members and strata managers alike

7.2.2.1 Committee members and their backgrounds

Owners placed emphasis on professionalism, people management skills and communication as well as the core competencies of finance and law. I was interested to know whether committee members considered that they required

skills, how the backgrounds of owners and committee members benefited the organisation, and whether their skill base met the needs outlined by for strata managers. When it came to the backgrounds of committee members the committee chairs reported

It's a diverse range of owners, all business people (address 1). The other owners in (address 2) come nearly all from a professional background. My background is quasi legal (Chair I).

Well we all started as teachers but we did not all end up as teachers let me say (Chair E).

We are a mixed bunch really. A couple of us are investors and business owners. There is one accountant and a doctor. Some are just stay at home women who have never worked (Chair N).

As the above interview data indicates, the background of property owners varied. As a consequence the committee make up also varied, since only owners are able to sit on the committee. When it came to the attributes that committee members most wanted in other committee members, there appeared to be little consensus. Some committee members deemed specific technical backgrounds in building, law and accounting as necessary.

Professional, legal background because you have got to keep yourself clean. You need to be accountable. Accountable is closer to what I want to say (Strata Manager & Chair H).

You need to have an ability to read financial statements of course and it would be handy to have someone who is from a legal background I guess. That might save us some money (Chair N).

I am an architect so that is great (in terms of building knowledge) (Chair C).

This did not mirror the comments of strata managers in relation to the skill base desired in owners and committee members. Other committee members were content with generic skills in management. Most prized however were people management skills which was in line with what strata managers most sought in committee members:

I loved having someone like that who then we could send a newsletter out and it just looks so professional. People-people; people who can work with people helps. I think you really have to have had a bit of experience in life, in managing things (Chair K).

And I think this is really important, I think that you need people skilled with working with other people, who understand emotional nuances because I reckon that's at the heart (Chair M).

I think one of the important things is people skills. We have to be diplomatic and I think that would be very important. They have to be efficient and address problems. I guess they need to have some skills in management too (Chair I).

We elected the one who was calmer. I was a good strategist and I appear- to be very mild. Non-threatening to other people while holding my own (Chair E).

Committee members were more vociferous when commenting on the attributes they most disliked in other committee members:

The ones that unnerve me the most are those that have a problem and those who talk about their problem and then are not available to help fix it (Strata Manager & Chair H).

You can't have someone who's a hot-tempered person, so you've really got to have people who you can actually talk with and sort things out with, without having someone who's a total idiot that causes disruptions (Chair K).

If you had people on the board who could see beyond their own needs... (Chair N).

Interestingly, the attributes most disliked by committee members were a lack of people skills and those people who were focussed on pushing their own agenda. People skills among non-profit board members was seen as desirable by a number of academics within the literature review. Owners who push their own barrows rather than think strategically for the benefit of all tended to be viewed as disruptive and counterproductive within the non-profit setting discussed in chapter three. A collective attitude was seen as supportive to volunteer board members who were more likely to withdraw their services when their views were sidelined. These views were supported in the interviews undertaken:

At the meetings we had to raise our hand if we wanted to talk. I'm going, 'I don't hold meetings, like, raising my hand'. So, all the committee had disbanded (Chair K).

Committee members that disliked spending money on the common property were considered a nuisance by committees:

The chairman who got rolled, said ' you can't do that, don't do that. They were paid to run the building, if you ask them to do this, this and this they will raise their fees'. Which is to me is no argument what so ever (Chair E).

Those who to try to keep their own fees down. It's dangerous for the building. Dangerous for everybody's investment (Chair K).

When asked why penny pinching was so dangerous, Chair K replied:

We have a legionnaire's²⁰ issue because we did not approve the spending of funds for the water tanks on the roof. I didn't realise legionella spreads up to four kilometres. I had no idea. I went, 'Great. Thanks'. Another issue. But they don't think of that, and the strata manager didn't tell me (Chair K).

This response is perhaps one of the most telling among the interviews. It raises two issues that go to the heart of much of the conflict between owners, committee members and strata managers, power plays and issues of professionalism. First, the non-funding of basic maintenance was seen as central to much of the conflict by strata managers and committee members. Larger tower complexes where sinking funds were mandated by law appeared to have just as much difficulty, with few properties appearing to be compliant. The committee members of larger complexes appeared to be fully *au fait* with the public liability issues concerning noncompliance.

Property has issues with the sinking fund, we are a little bit behind there. I don't have issues in so far as are we going to get the money, it is just a matter of that we haven't got it yet. And here at (Address 1) we have facility problems. A thirty three year old air conditioning problem. We have just cleared the majority of our asbestos. We have never achieved ... services compliance. (Strata Manager & Chair H).

Until recently I understand the place was broke and there was no money for anything (Chair E).

All identified that there was a balancing act between making sure that fees did not present a major impost for owners, and meeting compliance issues related to various Acts for inspection regimes:

²⁰ Silk et al. (2010) identified thirty-five cases of Legionnaires disease in Las Vegas condominiums between 2002 and 2008, presenting a significant problem to public health officials given that the disease may ultimately lead to death and spread up to a kilometre from the infected building. Were this to happen in a CBD location it may ultimately shut down the city centre affecting economic activity.

They are very problematic. They don't take into account peoples life circumstances at that particular point in time. Maybe they have just had a child or lost their job or are retired or something. They may not have the money up front for a costly repair (Strata Manager A).

The above comment from a strata manager presents the difficulty of getting people to meet their financial obligations to the committee of management by ensuring sufficient funds in reserve to meet services maintenance or a basic upgrade. It may also be a reason why some strata managers appear reluctant to push for additional cash reserves. Silk et al. (2010) found that it was the strata manager who was held to blame for the failure to raise adequate funds. Yet the committee members that I interviewed saw noncompliance and failure to raise sufficient funds as even more problematic, leaving all owners open to legal censure. They saw no point in individual owners saving money at the expense of complex law suits.

But hopefully next year, we get in a competent manager who will deal with this sinking fund issue effectively (Chair C).

The second issue is who is at fault for a failure when the committee is non-compliant in meeting their duties, whether raising funds or maintaining the building services and fabric, or maintaining order. Owners in this study believed that it was difficult to hold strata managers accountable for their failure to provide appropriate guidance. Strata managers believed that they provided a good service, but that they were inadequately instructed by the committees of management who were unwilling to bear the high costs involved with strata living. This issue has its seeds in the previous chapter and relates to inadequacies in the amount of information provided to prospective purchasers prior to joining the owner corporation.

7.2.3 Negotiating the space between the two positions

This section began by stating that strata managers provide expertise to non-profit boards comprised of strata property owners. The strata industry sets itself up as providing professional, expert, management. In Chapter 6, it was noted that strata managers assisted the committee of management by performing administrative duties on behalf of owner corporations. This chapter considers what type of assistance the strata managers believe they offer to the owner corporation, and what qualifications they need to underpin that assistance. The chapter then considered how this view fits with what committee members believed they are getting and what they want when engaging a strata manager. It then commented

on similarities and differences between the two views. Chair K honed in on differences in motivation between strata managers:

I've attended the national conferences in Queensland as an invitee and I spoke at the last one. I found at those conferences that there was particular groups that were there for the money and particular groups that were there for the interest and the betterment of owners' corporations (Chair K).

For committees of management, determining which of these two groups their strata manager fits into comes easily, after close acquaintance. However trying to determine this information prior to their engagement appears more difficult. Reputationally, strata management companies and committees of management can both fall out of favour.

We no longer run the complex that we are discussing. It was our decision to leave (Strata Manager A).

We would change (strata management companies) if we could (Chair E).

Professionalism is a two-way street and needs to be exhibited by all parties to the contract. This is consistent with Giddens' (1984) view that as well as specialist knowledge, there also needs to be mutual knowledge leading to shared meaning. In the above two passages, both ends of the spectrum are noted. Strata Manager A provides the view that they would rather walk away from their contract than battle on with that particular committee. Chair E sees changing where they source their expertise from as the best way to solve the problem. What is missing from these comments is the acknowledgement that strata managers set the ground rules for engagement through contract conditions; owners merely choose between strata management firms who tend to have industry standard contracts. There is, therefore, little real contract negotiation.

7.3 This is business

Perhaps the reasons for this lack of real contract negotiation relate to each party's primary concern what their role really is. This final section examines how the owner corporation see the work that they undertake:

This (the strata industry) is a good growth business (Strata Manager A).

Strata managers see the strata industry as a good growth industry. This idea is synonymous with the notion of the walkable city and the need to consolidate land usage by utilizing tower buildings that Bagaeen and Uduku (2010) report are becoming synonymous with economic growth and globalisation. Certainly the development phase of the strata complexes contributes to economic growth in the Australian context via the building and construction industries:

The Australian dream is having enough room in the backyard to have a barbie and always have your own place with your garden. But the needs that are put on us with our growing population, the only place to go now is up (Strata Manager D).

Population pressures and the green ethos of the walkable, compact city are not the only reason for change. The strata industry itself is intent on professionalising and with this will come change:

I've watched the Owner's Corporations Victoria change over the journey of time. I think pricing was something I thought I could change within the industry. People just continually undersell themselves with regards to what they deliver and what they get paid. I think in five years' time it will really be, you'll either have major players or boutique operators that have a set business plan. The level of professionalism, the demands are becoming so high, it's no longer the cottage industry it was (Strata Manager J).

The view for strata managers is that of a world that is becoming more complex, with more strata buildings, greater industry professionalization, status and profit. Strata managers see the owner corporation from two distinct viewpoints. In one interview, strata managers are the heroes that attend to the incompetence of owners who are unable to adequately perform their duties:

Last year the budget was up around \$350,000 per annum and one person turned up at the AGM (Strata Manager B).

It was \$80,000 in debt when I took over, \$80,000. All the unpaid bills and it was because people did not pay their levies on time (Strata Manager B).

From an alternative viewpoint, strata managers suggest that owners are changing in a synchronistic way to meet higher density living and a more complex environment:

I target the larger inner city complexes. They are more likely to attract business owners and professionals (as owners) because the (buy-in)

costs are so high. They (committee members) are more time conscious and used to doing business (Strata Manager J).

This issue of the preparedness of owners and committee members to undertake their duties is a focal point for this thesis:

You know from a business perspective and that is technically what these organisations are (Strata Manager B).

Committee members saw their role in the following way:

And my attitude is that this is a multi-million dollar business of which I am an integral investor and I am going to do my damnedness to make it work properly and not just for me (Chair L).

This committee member saw her connection to the other apartments through the common property mechanism. The cost of her property multiplied by the cost of thirty other properties meant that the committee of management was responsible for a conservative estimate of \$15 million. If the committee failed to do its duty, then all owners would suffer a loss of asset. Several of the committee members, as well as strata managers mentioned the extent of the budget that committees of management were responsible for:

Our turnover for each (sub) owner corporation is over a 1 million dollars a year, and it just should not be (Chair C).

We're now looking at a \$1.8m air conditioning upgrade and that was quoted in the report as needing over the next 10 years \$75,000 dollars (Strata Manager H).

Because you can be looking at buildings or assets in excess of \$150 million with [annual] budgets in excess of \$750,000 up to \$2.5 million (Strata Manager J).

Given the scope of the asset value, the amount of levies collected and annual spend mentioned by the respondents, it is not surprising that the organisation was viewed as a business, operating within a business context that required sound governance and contract mechanisms, good stakeholder cohesion and board professionalism. The value of assets has, in Giddens' (1993) terms, signification outside that of the individual property owners. As with any other business, the committee of management needs to have a clear understanding of the business in order to adequately direct the strata manager. One committee member put it like this:

I know more about this business, this complex than all of them. I have been doing it (Committee chair) for so long now. They (strata managers and contractors) all come to me in the end when they want to know something (Chair K).

Someone said, "People get scared when you talk". I said, "Well, just take the noughts off the end. You've got telephone, you've got gas, you've got lift maintenance, you've got all these tip top maintenances. Well, just take the noughts off, because that's all you're really dealing with. Just like running a house, just got a couple of noughts on the end and instead of one house it's got double. That's how I look at it. I find it no different to running a house (Chair K).

Yet at the same time there was a definite need for recognition of the role committee members played and the support that they needed to perform their roles. Given the scale of the financial and public liability obligations, this may indeed be necessary. Two owners were able to verbalise this:

It's imperative there is a group that represents owners, because there's not - as I've said, I've got to the point that, how much can you do on your own? There's a need for it. I want it [the network of owners] to be national. There needs to be national recognition of us as owners. Courses on what to do and how to do it. After all we are the responsible ones. I'd love to do it. There's a definite need for it, newsletters and updates. I think that that's where I don't see it as so bad that there's a management group, because you can get access to what's happening and industry things. They're the ones that have been getting all the government grants, the managers. They're the ones that have been doing the courses, which is almost ridiculous. They don't take the responsibility. It stays with us (Chair K).

So then another person from interstate told me 'look NSW already has a body like this. They are prepared to let us be part of their network and be a branch off their side'. I mean it was all there, but we just couldn't get it up (Chair L).

Here the reflexive monitoring of the situation has identified a need for increased competence that may be built partly through increased knowledge and partly through reflexive monitoring of external sources. There is a perceived need to address unintended consequences attributable to the perceived lack of information and support. The growth of the strata industry has been significant over the past two decades, and with this the status of strata managers has increased (Randolph

et al. 2011). Certainly they provide expertise in many instances, and this is expected to increase. Strata managers have a business network that is working toward a national standard of competency (OCV 2010). However the engagement of a strata manager by an owner corporation is designed to mitigate risk, not transfer responsibility. The responsibility for meeting the legislated duties stays with the owner corporation. This is why the committee members believed there was a need for a complementary network of owners. Perhaps education and networking opportunities, similar to those operating in the USA (McKenzie 2006a) and NSW, is indeed the way forward for committees of management, and will constitute a useful support mechanism.

Many of the decisions were made within a business case. The ability of interest groups to lobby for change will be crucial if some decisions are to be implemented. It entails a learning process from those successful in gaining grant funding to those who are yet to be successful in accessing grant funding. Thus the flow of ideas via networking opportunities for strata property owners is seen as necessary among strata owners. The creation of interest groups and network opportunities is an established way of 'doing business' and a central part of building power relationships (Padgett & Powell 2012). Giddens' (1993) work is important here because of the reflexive monitoring by individuals and interest groups, and the effect they have in influencing the rules, regulations and legitimisation processes within the strata industry.

The final theme relates to how various respondents saw their role within a wider context. Committee members and strata managers viewed the committee of management not just as an organisation, but as a business. The businesses managed significant financial and property assets within a complex contractual environment. There were health and safety issues for the wider community identified. For owners, there was limited access to support. The need for an organisation that represents owners and committee members in the form of a self-support group was raised, with a view to addressing a knowledge shortage within their ranks. While strata managers felt that industry aligned managers could fulfil this role, committee members saw the issue differently, seeking access to special purpose educational programs for committee members and owners. Others sought to raise the profile of the issues faced within these new forms of housing and garner better government policy initiatives for those living within the compact city.

7.4 Conclusion

This chapter further developed the theme of responsibility by focussing on the contractual conflict that strata managers, owners and their committee of management face. Each party (strata manager, owner, committee of management) abdicated responsibility in some way, leading to a failure in accountability, transparency, trust and participation. The three subsections contained within this chapter developed this theme. First, this chapter analysed the contractual relationships that exist between owners, the committee of management and strata managers at various stages of the ownership. The chapter highlighted conflict as a result of poor contractual and administrative processes enacted by committees of management and strata managers. It accomplished this by focusing discussion on four contractual areas: the relationship between the strata manager and the owner corporation; the relationship between the strata manager, owner corporation and other contracted service providers; and between contracted service providers and owners where there is no strata manager; and informal contracts between owners where there is no strata manager. The strata manager was engaged through an outsourced, contract based mechanism designed to increase compliance with legislation, and thus mitigate risk to the owners. Second, the benefits that contractual arrangements bring to the committee of management were examined. Strata managers believed they brought professional attributes to the table. While some focussed on more generic skills such as financing and building management, strata managers considered the ability to interact effectively with a range of people and limit conflict was of greater significance. The committee members interviewed also believed that people skills were significant attributes in their strata manager. An important observation in this research is that people management and conflict resolution skills were not included in the proposed training schemes for strata managers.

Finally, the idea of business growth and the application of business principles was explored within the owner corporation. It highlighted the possibility of a significantly changed landscape that not only related to industry professionalization, but a change in the type of owners who were likely to be attracted to strata purchase. Given that such a high proportion of purchasers in recent years has been to the investor sector, it seems likely that both strata managers and committees of management may increasingly bring higher levels of professionalism and reflective monitoring of others to the strata sector.

Committee members outlined difficulties in their contractual relationships which formalise the outsourced, contractual activities and lay much of the blame for this on the convoluted contract mechanisms that exist at the buying stage, lack of information, advice and assistance when purchasing. They also felt that strata managers had usurped their power in some instances. The contractual power stayed with the strata manager, and some owner corporations appeared content with this outcome. For others, the wresting of power from the structural influences of the developer and strata manager appeared to be the cause of much of the conflict. Trust, participation, accountability and transparency dwindled as the outsourced contractual relationship was tested and found lacking.

However, these interviews show power still vested with the developer, strata managers that are unable to fulfil their contractual obligations and are in many instances disruptive to the functioning of the owner corporation. As experts, strata managers standardise contracts in their favour, leaving the committee of management little choice as a consumer. This enforces their position and structural power. For committees of management the contracts have signification within Giddens' meaning. Committees seek to reflexively monitor their contracts but are unable to do so for a range of reasons including lack of access to the contract. The reflexive monitoring of the contract conditions is therefore ineffective. The result is that the upkeep of the property (whether cleaning or maintenance) is effectively taken out of the owner corporation's hands, nullifying their position as decision maker, particularly where subservient contracts are in place. While both the strata managers and owner corporations agreed that conflict resolution and people skills were important aspects of training for both parties, these interviews show a lack of understanding about some of the causes for conflict within their mutual relationship. The result is an increasing amount of distrust between parties, and additional reflexive monitoring on the part of the committee of management.

The strata industry sets itself up as providing professional, expert management. It was noted that strata managers assisted the committee of management by performing administrative duties on behalf of owner corporations. This chapter considered what type of assistance strata managers believe they offer to the owner corporation, and what qualifications they need to underpin that assistance. The chapter went on to consider how this view fitted with what committee members believe they are getting and what they wanted in their strata manager. I found that there were similarities between the two views related to professional behaviour.

Professionalism in this context was focussed on the expertise required to fill the various roles of owner, owner committee and strata manager. I found that people management skills were for the most part considered important. However owners were relying on strata managers to guide them in their duties. Most of the interviewed Chairs found strata managers lacking in one or more of the key areas identified. The outsourced, contract environment means that committees of management take on liability for failure not to act that is normally relegated to commercial undertakings. The responsibility for cooling towers and problems with legionella means that not only are owners and tenants of the building potentially affected but the whole neighbourhood potentially faces catastrophic consequences. Consideration was given here to the professional behaviours, attributes and qualifications required by each party in their interactions with each other. This was linked to wider structural considerations and what different actors want or expect from the strata industry as a whole.

Part E – A broader sociological approach

Chapter 8 - Towards understanding strata organisations

8.0 Introduction

I began this research by considering the impact of institutional players on the owner corporation because I wanted to understand what they added to the owner corporation in terms of expertise, particularly by way of capacity and governance.

I approach this research with a background and qualifications in construction, contract and project management, rather than that of a sociologist, lawyer, planner or building designer. As Berger and Luckman (1984) note, the social world is constructed by the views of actors in each major area. Therefore my view of power may not fit with the preconceived notions of other groups of people. For example, planners place a different emphasis on the phenomena of strata title than do building designers, lawyers, owners or sociologists. Mizruchi and Fein (1999) consider these individual modified views to be 'distortions of reality'. They are not wholly truth or untruth – just different views. The sociologist's role is to take an overall view of society and to observe the inter-relatedness of each of these traditions. Yet even within sociology, different views take precedence. Sociologists are not a uniform group and within the discipline different views dominate. For example sociologists arguing for a decrease in homelessness may welcome an increase in the number of dwellings that strata dwellings can provide. Likewise those arguing for smaller environmental footprints may argue for a more compact city and associated high-density living. Yet those arguing against segregation or self-segregation may not see a benefit in strata communities since they are closed enclaves of privatisation that engender fear of the 'other' (Brunn 2006). The application of larger theoretical frameworks may assist the researcher to tread between the lines here.

In this research I have not viewed the creation of strata complexes, a physical form of housing as either good or bad, merely something that exists and which I am trying to understand more fully. My concern lies with the organisation and how people come to be associated with the organisation, both owners and strata managers, and how that interaction assists the organisational governance. There is no doubt that a contractual relationship exists between the two. The contract itself is a construct. For organisations, it is the medium through which goods and services are exchanged, whether implied or explicit. In this concluding section, I revisit the owner corporation through the lens of Giddens' (1993) structuration theory, new institutionalism, power and its contestation. Much of the interview

discussions focussed on situations of conflict as well as the exercise of power. Here, I relate these issues back to Di Maggio and Powell's (1991) discussion of isomorphism. The three constructs of institutional isomorphism – coercive, mimetic and normative – are discussed as they relate to power and the governance structures, systems and processes within the owner corporation.

8.1 Coercive isomorphism

A number of ways that developers are able to exert coercive power over the formation and performance of the owner corporation organisation have been highlighted throughout this thesis. Firstly they influence the legislative and political processes and the formation of policy to their advantage, as outlined by Glazse (2006a). Lend Lease's drafting of strata title legislation is a case in point (Butler-Bowden & Pickett 2007). Secondly, developers conspire with municipalities to create a supply driven economy in multi-owned dwellings (Blakely & Snyder 1999; McKenzie 2006b). As Blandy and Lister (2006) note, owners pay for additional goods within the strata complex which they may have no need for but are required to maintain. Developers determine the amount of common property, which in turn influences the amount of levies payable for maintenance and replacement. These supply-driven economies benefit councils through increased rating capacity and decreased infrastructure costs to the wider community. Thirdly, developers determine the standard to which property is built. Cheap construction methods wear out more quickly and are less flexible in meeting changing societal needs requiring demolition more quickly creating a cycle of property demand. Fourthly, as McKenzie (2006b) notes, developers determine the legal and contractual documents for the owner corporation. Included in this is the apportioning of votes and percentage of levies paid per dwelling.

Developers also determine the boundaries between private and common properties within the legal documents and by applying covenants, determine the standard to which the property is maintained and/or the initial set of by-laws as part of this stage (Blakely & Snyder 1999). This fourth way that developers apply coercive power over the owner corporation is equivalent to the first of Clarke's (2006) Type developer influence. Fifthly, as identified by Townshend (2006), developers may determine the number and type of sub-committees, influencing the committee structure, and the number of volunteers required to operate the owner corporation. Together, developers influence the governing structure. A sixth way

that developers may influence the owner corporation is by appointing themselves to be the property manager for the complex. This is equivalent to the second of Clarke's (2006) two type developer influence. Associated with this, is the developer's ability to set up multiple third party contracts on advantageous terms (for the developer), limiting the owner corporation's ability for self-determination (Sherry 2010). Within this thesis, significant difficulties were faced by the owner corporation through this type of developer coercion. This is a seventh way that developers influence owner corporations adversely. An eighth way that developers may adversely affect the owner corporation is by retaining ownership of an apartment or lot. This enables the developer to sit on the committee as an owner. The developer may be the only person on the committee able to fully comprehend the governing documents and the ramifications of the decisions made. A ninth way developers influence the owner corporation is through marketing campaigns. As Blakely and Snyder (1999) report, real estate agents sell the emotion of home not the associated owner corporation. By failing to mention the governing documents in the marketing material, the developer and estate agent influence people to purchase without understanding the contractual relationships with other owners. Last, developers are setting the agenda for demolition legislation in a bid to realise greater profits through higher land yield on existing occupied sites (Altmann 2011).

In chapter six this theme of domination by the developer, government and business was extended. Their considerable power extended from rule setting to resource control. The participants asserted that they received little information about the governance aspects of their owner corporation from the real estate industry. There appeared to be some level of consensus among strata managers that estate agents were likely to invent the necessary paperwork required to allow the sale of the strata property rather than going through due process in order to receive the appropriate certification required under the Owner Corporation Act 2006. Purchasing off the plan was considered even more problematic. Because the owner corporation had not yet formed, little information was available in relation to the ongoing organisational costs. Real estate agents, whether intentionally or otherwise, appeared to consistently underestimate the costs of levies to the owners during the sale process. This meant that purchasers may have failed to fully account for the cost associated with living in a strata environment. The underestimation of levy costs may be a contributory factor to the high churn levels reported within strata environments reported in other countries (McLaren & Murphy

1997; Redmond et al. 2007). In McLaren and Murphy's (1997) study, almost half the apartment owners sold within three years. The developer and real estate agents play down the cost of levies in order to enhance sales. Thus there are unintended consequences for purchasers and wider society in terms of housing affordability from the failure to adequately inform owners about the governing body, levy payments and increased cost of upkeep throughout the period of ownership, though the intended consequences for the developer are met through creation of increased property sales. Collusion exists between state authorities, media, real estate agents and developers to suppress the true costs of living within a strata development, while at the same time supporting the construction industry and actively promoting the desirability of the compact city.

Finally, in chapter six, the design of the building and location of its structural elements became problematic for the owner corporation who were unable to meet statutory obligations to maintain the building into the future. This problem was exacerbated by the council who had approved the building design yet denied the owner corporation access to adjoining land in order to facilitate the mandatory maintenance. Thus the coercive power of council, building designers and developers was able to significantly influence the ongoing performance of the owner corporation. Similar issues were raised by the owner corporation in relation to energy consumption and production costs. The building design dictated how energy efficient the building was and how the energy usage costs were allocated between the owner corporation and residents with the result that neither party had any incentive for reducing energy use based on monetary concerns. I pick up this theme further in relation to the normative power of re-education processes.

However it is not sufficient merely to enumerate isomorphic coercive pressures from the past timeframe created by the developer. For example, associated with the buying and selling of business contracts was the sale of 'goodwill' of strata businesses from one strata company to another. As noted by Chair C's comments, the transfer of owner corporation contracts from one strata manager to another created significant concern for the owner corporation members who were then tied to a company to which they did not seek to be tied. In this way, coercive power is used by strata managers because the owners merely have control over who their strata managers are at two particular points in time - that is at the time of appointing the strata manager or upon terminating the strata manager's contract and suffering any potential financial loss that may result from such an action.

The research also saw strata managers become collusive with estate agents in exercising coercive power during the sale process. The failure of Strata Manager F to remain 'on the ball' allowed a number of properties to be sold without appropriate documentation. The certification required under the Act in Victoria was ultimately met by the real estate agent even though it was illegal for the real estate agent to do so. Mistakes in the certification were not picked up by solicitors acting for the purchasers at property transfer either. Indeed the comment from Chair L seemed to indicate that solicitors were employed merely to facilitate the property transfer, not check that the documentation was correctly supplied or advise on the difference between strata and freehold property.

Society at large and the strata owners also exert coercive forces on the owner corporation. For example the large maintenance deficits associated with older buildings have been acknowledged by wider society in that there is now legislation about sinking funds, minimum levels of financial commitment and the need for maintenance of assets plans for 'prescribed' buildings. While all participants acknowledged the need for such measures, only one of the complexes in which I interviewed had such measures, though many spoke about needing them. Strata Manager and Chair H acknowledged that this was in breach of the legislation. However the legislation does not have the ability to enforce punitive damages against those owner corporations in breach of the legislation, and merely relies on individual owners taking action against the owner corporation for failing to meet their duty in providing such items as sinking funds and maintenance plans. There also appeared to be some confusion as to who the responsibility rested with regarding the provision of such plans and sinking funds, the owner corporation as the decision maker or the contracted strata manager.

A repeated statement among committee chairs related to the ability of the strata manager to disrupt communication. Much of this related to issues of correspondence and email which Chairs C, K and E commented on. When instituted, this essentially meant that strata managers were able to ignore or unable to follow up on issues raised by the owner corporation to the satisfactory conclusion of both parties. Ignoring communication and the associated failure to act are a form of subversive coercion that is akin to bullying in a corporate sense. Bullying in its various forms is a growing concern within boardrooms (Harvey & Heames 2006). The email blocking software was most evident in complexes where long term, developer appointed strata managers were in place. Associated with

this is the failure of strata managers to supply contract documentation on request. While no-one disputes that constantly having to supply such documentation is a time consuming activity and may need to be charged for, the failure to supply duplicates of contract documentation on any basis is a major concern effectively interfering with the owner corporation's ability to oversee contracts to which they are a party to. In essence, without the copy of the contract, it is impossible to monitor whether the owner corporation is getting value for money. Perhaps there is a nervousness by strata managers in having contracts monitored by the owner corporation. As Strata Manager and Chair H noted, where contracts were monitored, strata managers were found to be in breach of their contract conditions and, in at least one instance, failed to follow the advice of the committee of management, to their financial disadvantage. Chair K highlighted the fact that their strata manager was clearly providing inflated prices to the owner corporation, and while no one disputes the fact that an administration fee for overseeing a contract may be justified, the failure to provide transparency around quotations and/or invoices for each activity disempowers the owner corporation's decision making ability, and lessens the accountability of the contractors to the owner corporation.

The issue of transparency of contract conditions as well as processes between strata managers and committees of management should not be a tricky one – yet it is. Society has entered into an era of contracting out of services in which the 'dickering and other standard forms of bargaining' are not adhered to (Kornhauser 1976, p. 1156). That is, institutionalised forms of contract are presented to those seeking to purchase a service in approximately 99% of contracts (Marotta-Wurgler 2007). Those industries that support standard forms of contract include the strata industry. In considering standard forms of contract within the software industry, Marotta-Wurgler (2007) found that the license agreements 'displayed a net bias ... in favor of the software company'. Likewise the strata managers interviewed for this research all stated that they used standard forms of contract supplied by the strata industry and that these were non-negotiable in terms of key sections. They were reliant on differences in price and reputation rather than any noticeable difference in the terms of engagement that may protect the owner. The drawback here is that all of the participant strata managers in this research were industry affiliated. Using standard forms of contract that are biased in favour of specific industries may constitute a normalized form of bargaining. However, it is also a coercive tactic by industry professions. This coercion is not just limited to the

standard form of contract however. Committees of management also noted a tendency by strata managers to dictate the meeting agendas, usurp the position of Chair, and indulge in power games by designating meeting places on non-neutral ground. In Chair E's version of events, these high handed tactics of taking the power seat in a prestigious meeting room overawed the committee into submission.

I turn now from coercive isomorphism to that of mimetic isomorphism to explain an additional power paradigm that significantly influences trust.

8.2 Mimetic isomorphism

This thesis identifies a number of other trust relationships crucial to the functioning of the owner corporation. For example, Chair K identified the lack of trust between the strata manager and owner corporation as an issue when dealing with building defects. In this instance the owner corporation did not trust the strata manager to facilitate the remedy. This affected their dealings with the strata manager over other matters, ultimately relegating the strata manager to the status of 'the girl', thus stripping her of authority. This situation may arise due to the mimetic isomorphism or as coercive isomorphism. In coercive isomorphism, the ties are closer between the developer and strata manager than between the strata manager and the owner corporation. Thus the developer and strata manager act as a cohesive unit to the benefit of the developer. The developer's defects liability insurance may be affected either positively or negatively. In mimetic isomorphism engaging facility managers, through outsourced contract based mechanisms, is an increasing part of many businesses as identified by Clegg et al. (2006). It also ties into the 'contract state' as outlined by Hood (1997). Using second and third party providers particularly for facilities management and information technology has been identified as a possible fad among business owners, with clear indications that results are short term rather than providing medium to long term solutions. Yet the use of such mechanisms for the facility management arm of owner corporation is natural (Sherry 2010). The literature review provided evidence that where contracts continue long term, expert power shifts to the contracted-in party. This idea can be extended to the strata manager who may become the expert on strata issues within the complexes that he or she manages, particularly in complexes where there is a low turnout for annual and periodic meetings.

Alternatively, the role of strata manager was considered as an expert communicator rather than as an expert on strata matters within section 7.2.1.

Strata managers represented themselves as such, and considered that their skills in this area were exceptional. They placed value on their people skills and being able to negotiate outcomes between owners holding strong opposing views. Yet bullying appeared rife in some complexes, with factional splits not uncommon. Strata managers commented on the propensity of owners to intimidate staff, but also in terms of owner to owner bullying. Where entrenched interests were being affected, communication and negotiation skills did not stop antisocial behaviour occurring in the first place. While aggressive behaviour was often seen as the norm, isolation as a form of bullying was also found to be problematic. For instance, Chair N spoke of not being included on email lists and thus not being notified when meetings were to occur as an exclusionary bullying tactic aimed at forcing her from the board. However the threat of physical violence was also present.

While bullying of individuals may seem a normative response to issues of distrust within the owner corporation environment, as suggested by McKenzie (2006a), I suggest here that it is a mimetic mechanism linked to issues of uncertainty of outcome. For example Lencioni (2002) considers that team failure is linked firstly to an absence of trust. Migliore (2009, p. 320) concurs with this view, stating that 'board members who do not trust each other will not have meaningful, open, and respectful debate, which in turn hinders obtaining commitment, holding each other accountable, and focusing on results'. This uncertainty of outcome, inability to negotiate or have open and respectful debate leading to lack of trust may be linked to the balancing of self-interest against group good outlined by Buchanan and Tullock (1962) and noted as endemic within other non-profit organisations.

Within this research, there appeared to be confusion within some owner corporation as to who has the decision making role. Within organisations coercive power usually sits with the decision making role which has the power to either reward or punish. Both the carrot and stick approach may be used to bring about change in behaviour. While strata managers were clear about the owner corporation being the ultimate decision makers, owner corporations appeared less than enthusiastic in taking up the role. Strata managers complained that few people turned up for meetings, thus normalising absence from the decision making process. Inadequate meeting attendance, particularly for annual general meetings, and a resultant lack of candidates for official positions was a significant bug-bear for strata managers. Committee chairs noted that there were often insufficient candidates to fill all positions. Again these traits are noted within other non-profit

organisations. Whether the mimicking is intentional or otherwise, the owner corporation has many traits in common with other non-profit organisations.

I turn now to the issue of normative behaviour and legitimisation of values and rituals that enforce and reinforce the status quo.

8.3 Normative isomorphism

DiMaggio and Powell's (1991) normative factors stem from the influence of the professions and the role of education, in this case seen as the four minor players – developers, estate agents, councils and the strata industry. For example the role of education has been discussed in terms of lack of purchaser knowledge about the community or organisation they are joining and the difficulty of finding out that information within the 'past'. Chapter 5 identified the difficulty of locating appropriate information to properly inform prospective purchasers prior to committing to purchase. Prospective purchasers were informed about the strata environment through real estate media, as opposed to independent advice which purchasers may not have the technical language to use as search terms. This lack of education therefore reduced the likelihood that owners would be knowledgeable about the type of property they were purchasing.

Real estate agents are seen as highly knowledgeable about contractual issues relevant to the sale of strata property. Their professional associations are strong and there have been minimum standards of education and codes of conduct in both Victoria and Tasmania for estate agents. Despite this, strata managers maintain that their power was being usurped by estate agents during the sales process.

Education for strata managers was a key issue related to expertise that was their stock in trade. Professional associations of strata managers were active at state and national level and had resulted in the proposed introduction of minimum standards of certification for strata managers. Chapter 7 considered the question of certification of strata managers. A number of issues arose. First, the lack of owner knowledge extended to the system of licensing strata managers in Victoria. Owners and committee chairs often appeared confused about what the licensing of strata managers as opposed to registration meant. Some considered that a licensed manager meant that they had met some minimum standard of knowledge in the area of strata management already. Others were confused as to how to

check registration and licensing. This research found that there was a discrepancy between what was being proposed in terms of minimum educational standards and what was actually wanted by strata managers and committees.

Owners and committees rely on the expertise of strata managers. Strata managers wanted and expected greater expertise from their committees of management and owners generally. Strata managers presented a lack of knowledge about the role of the strata manager as the normative state for new property owners in section 5.2.1. This refers back to the role played by the developer, estate agent and conveyance solicitors as well as the media in suppressing information about the owner corporation. However it is also noted that the strata manager has a role to play in terms of education and induction of new owners. Strata managers appeared to take on the role of inducting new owners into the functioning of the strata community, though in reality this role sits more naturally with the committee of management. The amount of paperwork required by the owner corporation is increasing as the need for legislative compliance increases. The body of law surrounding strata complexes continues to metastasize (McKenzie 1998; McKenzie 2006b) creating a quagmire of legal implications. Administrative expertise is required. As the number of lots and thus potential owners within each strata complex increase, the appointment of a strata manager by the developer becomes more likely. There are a number of reasons why developers may do this, and while this thesis did not gain firsthand knowledge from developers, strata managers and owners provided some insight. Strata managers considered that developers were experts at creating complexes but not in running them, therefore developers sought to involve strata managers at the earliest opportunity, even at the design stage. Whereas the owners considered that developers perhaps sought to involve strata managers early in the sale process in order to run interference with the building defect process. This reason, as well as increased profits was seen as one reason for developers retaining the strata management role in-house. Owners perceived that a close relationship between the developer and the strata manager as the equivalent of less service. Strata managers were divided as to whether this was the case or not. However, Strata Manager D acknowledged the significant lack of trust between the strata manager and owners.

Strata managers were also critical of real estate agents that usurped the power of the strata manager to provide sale documentation for strata property. Instead the estate managers created their own documentation and this appeared to be an

entrenched practice. Yet individual strata managers generally appeared to take little responsibility for the length of time needed to create the required documentation to facilitate the sale. Instead they insist that the fault lies with the committee of management or individual owners who fail to notify them when a property is about to go on to the market.

These are salient points. There appears to be no start point for education for committee members, although some inroads have been made regarding the professionalization and education of strata managers as indicated in Chapter 7. Greenwood et al. (2002) noted that professional organisations do play a significant role in theorising, endorsing and thus legitimising change. According to them, professional organisations are important because they are the forum through which industry professionals represent and reinvent themselves to outsiders; provide a forum for interaction between individuals confirming and reaffirming their legitimacy; and set the boundaries for participation. Notably, in Chapter 7, the professional association representing strata managers, Strata Australia, and its Victorian affiliated group, Owner Corporation of Victoria had succeeded in pushing for Australian wide mandatory qualifications for strata managers. This is the first step in the professionalization process, setting the boundaries for who can join – only those who have undertaken approved courses. Secondly, it reinforces the standing of strata managers in the community, re-affirming the position of individual strata managers both to themselves and the wider strata community. In this research, strata managers came from a variety of backgrounds, with some already exceeding the qualifications needed by the strata association confirming Di Maggio and Powell's (1991) observation that professional associations are not homogeneous groups but rather contain a variety of players. While the strata community had endorsed the minimum educational requirements for strata managers, the strata managers that participated in this research clearly valued a different set of attributes to those proposed by either the new educational framework or by the committee chairs. Thus they confirm Dezalay and Garth's (1996) view that decision making in such groups is not cohesive and is subject to negotiation and political processes.

The difference in opinion between individual members is significant. Consistent with Greenwood et al.'s (2002) assertion, professional bodies have a role to play in enforcing standards among their membership both normatively and coercively through the application of sanctions. Strata Manager D bemoans the fact that at

the time of interview, the strata industry had failed to ensure that standards of conduct for members had been met, stating that the organisation would not truly become professional until such time as this occurred. The concept of professionalism relies on belief in a set of attributes and adherence to those beliefs through the ritualization of ceremonies including training and educational practices, internal ranking status and enforcement of conduct. Contrary to seeing membership associations as agents for change, DiMaggio and Powell (1983) see associations as groups with entrenched interests seeking reproduction and legitimisation of self. Yet it is clear that, at the early stage when associations and groups of professionals are forming, they are indeed capable of transforming the landscape within which players operate, as noted through the introduction of mandatory minimum educational requirements for their strata managers and making it a base requirement for membership of their professional association.

The introduction of minimum standards of education and possibility of enforcing codes of ethics amongst members of the professional strata associations appears heartening. However it does not address the lack of education for committee members and owners, as noted in this research. Whereas strata managers have formal networks within which to learn, comprising of professional associations and training opportunities, no such network or opportunities exist for committee members in Victoria or Tasmania. Two committee members raised the issue of the creation of formal networks of association for strata owners, similar to the scheme currently in operation in New South Wales. McKenzie (2006b) notes that there are informal networks of association in operation in the USA. Gabrielle et al. (2010) note that in relation to retrofitting of properties for sustainable energy, informal networks between owners and technical personnel exist and create centres of knowledge which allow people to make informed decisions. Since owners are the ultimate decision makers within the present timeframe, that is the period of operation, it would appear necessary for them to be familiar with the basics of meeting procedure, the ability to recognise and prioritise group good over individual good and the need for transparency in contract management. These attributes would assist in the implementation of the duties outlined in legislation and noted by Sherry (2009).

8.4 Power as an explanation of relationship

The relational question posed between outsourcing strategy, governance and capacity to govern has been viewed through the eyes of two key sets of players, the strata manager and the committee chair. The relationship between the owners is engineered by the developer. The way in which each party views the other is also a crucial part of the relationship. The contractual relationship between the two is a construct as is the organisation itself. Seen through a power paradigm, clearly, the actions of one group affect the other. Each owner's understanding of their role within the owner corporation affects their identity and experience of ownership. Their actions and their interaction with others in turn influence the politics and economy of the compact city, and vice versa, within the cycle of structuration theory. Yet the building is a physically constructed place over which each owner is seeking to imprint their socially constructed view of what should or should not happen in relation to by-laws, levies, usage and ownership, in order to define their own place of belonging. For instance, 'some people may argue for bounded notions of particular place, while others see that place as a node in networks of relations' (Easthope 2006). Both views are relevant to the owner corporation. However where there is tension between the views of different actors.

8.4.1 Tension and Power

Much of the literature on the strata environment has focussed on various forms of tension that exists between the different actors and groups of actors. Tension exists where space is contested. In Figure 6 'Structuration and Strata', relationships between actors and groups of actors were conceptualised. In this section, I take a step back with a view to conceptualising the relationships between the strata manager and the committee chair. I do this with reference to the wider framework of governance and outsourced contract management.

Within this framework, a number of tensions exist. Strata managers presented themselves as professionals with expertise in a particular field. However there were discrepancies as to the standard expected even among strata managers. Strata managers appeared clear as to who held the decision making power for the owner corporation. However some strata managers appeared to negate the role of the decision maker by making it impossible for them to undertake the role. At the same time committee chairs appeared to want to make decisions, but some were unable to do so because of the constraints placed upon them by their strata

managers. Power plays and resultant tension was typified by both avoidance strategies and the threat of physical violence. The result of these tensions presented stark differences.

This thesis has noted five separate relationships leading to tension between the actors involved. These are:

- Developer – purchaser
- Owner corporation – Owner
- Strata manager – owner corporation
- Owner; Owner Corporation; strata manager – Non-profit organisation
- Legislation & policy makers – Owner; owner corporation; strata manager

The tension in each relationship is influenced as 'reflexive monitoring of action' occurs by each of the groups involved. What occurs in one area will affect each of the other areas in turn. Foucault (1977) considers that in modern societies political power is increasingly centralised within the state. The state in this instance is represented by the laws governing or failing to govern the behaviour of individuals within the strata environment, but also by the owner corporation as a separate tier of government. Foucault also argues that such political power is increasingly focussed on the management of people and groups of people.

Strata legislation is not about managing the physical complexes associated with the compact city, but identifying and managing key groups of people within the strata environment. Strata managers and committee chairs both commented on a lack of disciplinary power despite dispute mechanisms within the legislation. Chair K refers to a lack of disciplinary power in terms of limiting the number of short term lets and wants to force legislative change so that building standards are increased for multi owned complexes. Strata Managers J and N comment on the inability to apply sanctions on non-payment of levies. Chairs C and K discuss the inability to enforce payment of water levies. Strata Manager D notes the unwillingness of professional associations to apply sanctions against poorly performing strata managers. Several strata managers bemoan the fact that they cannot force owners to attend meetings or make those that do attend make decisions. Yet Foucault's view of power is that these two processes are a move towards disciplinary power and certainly there is a framework for disciplinary action outlined within the Owner Corporation Act 2006.

8.5 Contracting strategies, organisational governance and capacity

Each of these relationships influences the ability of the actors to effectively monitor and contest power. The focus of this thesis has been on the relationship between strata manager and owner corporation. Yet this relationship is influenced by the interaction of other actor groups. I turn now again to Sherry (2009) who so succinctly sets out the duties to be undertaken by the owner corporation, and consider those duties in terms of the strata manager – owner corporation relationship.

Australia's strata legislation refers to three major concepts within owner corporations as:

- The collective ownership of common property;
- The creation of rules that govern behaviour within the development; and
- The creation of a governing body to control administration of the common property (Sherry 2009, p. 133).

The governing body or owner corporation appoints the strata manager to assist in administrative control of the common property. The owner corporation is represented by the committee chair. The relationship between the two has been characterised by power plays, some of which are outside of the control of either party. Nevertheless, these power plays affect the way that each party views the other. Governance processes assist in the organization of management between the owner, owner corporation, civil society and government, ensuring the fulfilment of public processes and agendas within a privatised setting. As indicated within the literature review, good governance is defined by processes that engender transparency, accountability and trust. In order to undertake the administrative duties relative to the common property, create by-laws and rules that govern behaviour, processes must be in place. Transparency and accountability is required and must engender trust.

Yet the research has largely been about power plays that disrupt processes, interfere with transparency and foster a lack of accountability. The failures in each level of relationship (discussed in the previous chapters of this thesis) add to the level of distrust, and impacts on the relationship between the owner corporation

and the strata manager. Strata managers are employed to undertake or assist in the undertaking of administrative duties. However the lack of transparency and accountability exhibited undermines their position of trust with the committee of management. Each negative experience builds upon a lack of trust in the processes, accountability, transparency and trust. Of course the opposite is also true. Positive experiences in these areas are likely to engender trust.

Effective sourcing strategies are based on trust between the principal parties - trust that both parties will undertake their designated duties in a transparent and diligent manner. However the interviews conducted for this thesis showed a marked lack of trust by both parties. The contestation of power over who the decision maker is, what the duties of each parties are, and who makes and enforces the rules, even the question of whether either party is able to make effective rules governing behaviour within the strata complexes, all lead to distrust. While much of the trust was directed between owners, there were other instances where it was directed at the strata manager. Whether intentional or not strata managers indicated several ways in which they wrested perceived power from the owner corporation rendering them less capable of exercising their decision making capacity. These included the non-attendance to correspondence, failure to provide transparent quotations or in some instances, any contract information at all.

Giddens (1984; 1993; 1994) discusses trust as an integral part of action and interaction. It is the 'face'²¹ between two or more people, organisations or institutions. Giddens likens trust to the 'foundation of a tension-management system, the trust/mistrust polarity is organised around relations between projection and introjection as mechanisms of personality' (Giddens 1984, p. 54). As such, trust becomes a negotiated space reliant on reflexive monitoring of situations and the competence to do so, but also the social interactions that build trust between the actors at various levels. Giddens further discusses the issues relevant to 'face' and the importance of 'face to face' contact in determining whether trust exists. He notes that the showing of the 'back' region of the body is akin to contempt within many societies. Giddens (1984, p. 124) rejects Goffman's (1967) discussion of 'front' and 'back' noting that whatever is hidden (or back) does not necessarily relate to real feeling. Likewise whatever is 'up front' may merely be tact or tactical manoeuvring. Thus tact is

²¹ Giddens (1984, p. 54) uses Becker's (1962) idea of 'face' as the 'positive feeling of self-warmth turned to the world for others scrutiny and potential sabotage'.

beneficial in organisational settings, and linked to trust, but does not necessarily build trust.

Like Giddens (1993), Möllering (2006) considers that trust occurs within organisational settings where one or more parties negotiate the boundaries within which trust occurs and actively engage in the act of trust. Rose and Schlichter (2013) consider trust as crucial to success, but something that varies over time between contracted parties, an important point given the contractual nature of the owner organisation, and its relationship with the strata manager. Kroeger (2012) identified mechanisms and processes that link and mediate between trust on the (inter) personal and the (inter) organizational levels of organisations. Their view is that the processes for trust can be institutionalised but remain inactive where the participants do not actively engage in the action of trust. It follows that where active trust is not engaged, that mistrust will follow both within an institutionalised sense and at a lower level, between organisations.

However, in this instance, trust has been placed in the institutionalised processes of planning approvals only to be found wanting from the owner corporation view. At an organisational level, the engagement of a strata manager has not resolved this lack of trust in planning authorities and legislative processes, but merely muddied the waters, leading to a lack of trust at both the organisational and institutional level. The creation of further processes, in itself, will not resolve the lack of trust issue. This is because at each level, a failure to put group good over individual good was identified. For example, strata managers seek to engender trust in their ability by actively promoting their industry and increasing their specialised knowledge. However these are merely processes of trust rather than active engagement in it. At 'face', trust ceases to exist because trust has not actively been negotiated through the imposition of sanctions to the benefit of individual owner corporation. Likewise, Giddens (1993) considered that Goffman's (1967) 'facework' was done at the access point to the organisation. Developers, planners, and real estate agents represent the 'facework' and access point to the organisation for purchasers of strata title property. Since developers, planners and real estate agents are largely silent on the actual organisational structure attached to each dwelling, the reality of being part of the organisation differs significantly to the 'community' ideals sold. Thus trust does not occur at the access point to the organisation. It is not until developers and planners begin to understand the ramifications of their 'approvals' on the owner corporation as an organisation rather than a planning, building or construction exercise, that trust will begin to occur. The processes are in place but have been found lacking by owner corporation. Thus the cycle of trust and mistrust is perpetuated within the strata manager and owner

corporation environment, and as trust diminishes between each party, the standing of each party's expertise diminishes. There are policy implications of such findings for strata managers, owner corporation and owners that I consider in the following chapter.

8.6 Summary

I began this chapter with a discussion of Figure 6, 'structuration and strata' (see page 87), and the five categories of structure and agency discussed within this thesis. As well as providing a useful point from which to discuss each actor, I was able to focus on the three divisions of time and space (past, present and future) as arbitrary constructs which Giddens himself acknowledges are infinitely divisible. A different division would have led to a different thesis, though each division is worthy of more detailed study.

The issues of institutionalism and power as they have arisen within this thesis were also highlighted. The difficulties of combining different frameworks and bodies of literature were discussed. While I acknowledge that this is a sociological thesis and therefore must be grounded within key theories from that tradition, the strata organisation has been discussed from a range of existing traditions and it is only through considering each of these that a cohesive picture of the owner corporation can be built. Giddens' structuration theory allows the author the freedom to incorporate each of these literatures into the whole. The literature review drew from management theory rather than sociology in order to highlight how owner corporations are different to other organisations, though much of the literature on owner corporations is embedded in planning, law and sociology – particularly the debate about housing need and cost.

The application of larger theoretical frameworks has enabled me to tread between the lines. Consideration of the owner corporation through Giddens' structuration theory, new institutionalism and the power paradigm has raised some interesting points. Conflict, of course, is the flip side of power and much of the interview discussion focussed on situation of conflict as well as the exercise of power. DiMaggio and Powell's (1991) discussion of isomorphism has highlighted the degree to which each of the players identified within figure 6 are able to exercise power and what type of power plays they are likely to make.

Chapter 9 - New directions in strata research

9.0 Introduction

Sociology has the ability to provide a scientific basis for social intervention and political action. Its impact on government, law, business and the media has had profound effects through the investigation of what is and why (Babbie 2004). Linked to this, of course, is how each area intersects to form a cohesive society. The research undertaken by sociologists may bear witness to the state of affairs at the time of study. However, it is also influential in changing the status quo by highlighting areas of social inequality, providing evidenced research, seeing the interaction between different disciplines and outlining solutions to problems (Hamilton & Thompson 2002). The management disciplines have evolved from sociology, anthropology and psychology. While it is the role of management to improve existing ways of managing people, organisations and institutions, sociology also comments on economic life, public interaction with economic life, institutions, organisations, people and places. The role of government, government bureaucracies and law-makers creates opportunities for sociological and managerial study while at the same time allowing opportunities for change through reflexive monitoring, commentary and action. This research, then, fills identified gaps in knowledge while at the same time opening up areas for more research.

In this final chapter, filled and unfilled gaps are outlined. First, I reflect on the significance of the sociological research undertaken by outlining policy implications. Second, I highlight areas for future research. Last, I outline the contribution to knowledge and provide concluding comments.

9.1 Policy implications

Policy has both intended and unintended outcomes. In this section I question the effectiveness of current legislation and put forward suggestions for policy and/or legislative changes that may assist the owner corporation to function more effectively. In doing so, I seek to remedy some of the areas of conflict identified in this research. Thus my role is more of a practitioner than sociologist, for as Babbie (2004, p. 13) states in reference to the relationship between research and policy, 'we can use it to determine what ought to be only when people agree on the criteria for deciding what outcomes are better than others ... an agreement that rarely occurs'. Based on my research findings, in this section I outline what could be so that further debate may be generated since each person has a right to put forward

suggestions based on their research and follow their argument to a natural conclusion. Many sociologists see policy implications as the natural conclusion to empirical research. Earlier in this thesis, I drew upon the work of renowned academics such as Clegg (2006), Bulmer (1987) and Burrell and Morgan (1971) to elucidate the importance of power relations, and in particular power relations within the housing sector. In particular, Clegg (1975) noted the structure of domination within which power is exercised and the rules that link power and domination, key concepts on which Giddens' structuration theory is based. Jacobs (1999) dissertation examined the political processes within housing renewal projects and the intended and unintended outcomes that ensued.

Policy makers create narratives to describe problems in terms of risk and gain. They describe the actions that will ensure action and inaction (Henry 2007). Policy makers seek stakeholder and broader community support through their narrative of success and failure. Henry (2007) notes that when policy is introduced that is framed without persuasive narrative, resistance to policy implementation is strong. Policy makers tout the walkable, compact city as desirable for a range of reasons. Strata titled property, and the attached owner corporation are the outcome of that desirability. Current policy narrative around the need for strata development includes increasing urban temperatures, climate change (Tian et al. 2012), infrastructure upgrade shortfalls (Brackertz & Kenley 2002) and the need for residents to be centres of economic activity (Giddens 2002) and the housing crisis (Yates et al. 2007). In Australia, concern over appropriate housing shortages has existed for over a century. Slum clearances, broad acre settlements and strata complexes have all been touted as meeting policy outcomes directed at addressing a lack of affordable, quality housing. Sociologists have a role to play in policy creation through their expertise in understanding the social conditions for effective legislation (Travers 2010). Thus the sociologist must consider more than the tenure types or the compact city, since both are linked. In framing policy, multiple needs and preferences need to be balanced. Researchers observe a particular phenomenon and seek an explanation for its existence. Research questions are therefore formed within an existing policy context. Strata developments are a result of existing policy and an attempt by government to address and direct specific outcomes. Whitzman and Mizrachi (2012) note that much of the research on high rise in Australia, particularly that of family liveability has been framed within a social housing setting and is therefore irrelevant to today's private high rise revival,

particularly when it comes to their use as family homes. Yet academic literature considers that families do prefer living in suburban areas with detached freehold housing leaving more compact areas of the city to a young single cohort (Dowling & Mee 2007). This gives rise to questions about self-segregation raised by Le Giox (2006b) and Brunn (2006), and then there is the question of privacy outlined so effectively by Garvey (2005; see also Lindsay et al. 2010; Mulholland 2003). In this thesis, the key privacy issues manifested as noise, car parking issues, violence and other antisocial behaviour.

In Australia, the current housing crisis has two key components – insufficient housing for burgeoning populations and a lack of affordability for renters and first home buyers. Both of these narratives describe a potential risk to the ontological security of ordinary citizens. The policy of building more dense housing environments by employing strata title mechanisms describes an action which, if taken, will mitigate those risks by increasing total properties close to economic centres of activity and therefore relieve pressures on price escalation for owners and renters. They do not describe adequately the unintended consequences of that policy.

This thesis has outlined some of the unintended consequences of existing policy relative to the compact city. This thesis is not about the rights or the wrongs of high rise development. Strata title mechanisms exist in both low and high rise forms within the Australian context. Yet when it comes to the governance of urban strata complexes in Melbourne, there are indications that the existing legislative and policy frameworks are not meeting the needs of owners and their owner committees of management.

The existing legislative framework allows the planning and building of the physical complexes, and provides a governance structure which outlines the operating constraints of the organisation. Neither fully considers the full gamut of governance constraints within which these complexes operate. This research provides assistance by outlining several areas where policy changes may enhance the governance of strata complexes.

9.1.1 Addressing the lack of purchaser knowledge

A number of policy implications are forthcoming from the print media and web context analysis. This research concurs with both Goodman and Douglas's and Blandy and Lister's findings. The lack of knowledge about the governance structure

of strata complexes has implications not just for the prospective purchaser, but for those who already live within these complexes. There is a need to address the new owner's lack of knowledge. In this thesis, committees and strata managers struggled with the lack of knowledge about strata complexes. People were purchasing without understanding how their property differed from freehold property. As noted in chapter five, government websites and blogs which contain the most useful information for prospective purchasers are difficult to find and are the least accessible, relying on the purchasers prior knowledge of terminology and the strata mechanism to direct them to the site. The search for appropriate information could be assisted by locating referrals to relevant web sites for each state where prospective purchasers can easily locate them, that is, in the real estate and home sections of new papers and their on-line equivalent. Such a move would go some way to negating the argument that prospective purchasers had little or no idea that they were buying anything other than freehold property. It may also ensure that owners pay additional attention to the contract of sale and title transfer documents.

In line with some of the New South Wales' based newspapers, mandatory information on levies could be included in all real estate sales of strata property. This action may prompt prospective purchasers to question what type of property they are purchasing, improving the likelihood that they will search out additional information. This action may assist purchasers to identify issues of affordability early in their housing career, and ensure that those entering the strata housing market are able to meet their mandatory financial obligations. In addition to this, developers and estate agents will need to place emphasis on the rights, responsibilities and restrictions of living within a strata titled building complex.

9.1.2 Addressing developer power

As indicated in Chapter 7, there is significant power inequity within the developer – owner relationship. However the development of a policy to fit all exigencies would be difficult due to the variety of points at which this power is exercised. Moreover policy in this area is influenced by other actors within the design, planning and approvals process, including those held within the Surveyor General's department. There appears to be a lack of understanding among these design stage agents that what they approve has ramifications for future owners. That is, there is a disconnect between the approval of the physical building structure and the approval of the organisation formation, though the two are linked. The existing

processes consider the physical impact of the building on the surrounding neighbourhood but do not consider what it will be like to live within the newly created strata community other than in terms of physical amenity. Communities are made up of more than physical amenity however.

Providing prospective purchasers with knowledge at the purchase stage may empower them to make more conscious choices of living within a strata environment. However it may be worth considering a process that determines whether the organisation is able to be responsive to owners' needs over time. One of the considerations here is how easily the owner corporation is able to restructure their committees over time. As noted by Chair E, the committee structure is extremely complex and both strata managers and committee chairs reported that there was a dearth of owners willing to sit on committees. Embedding the number of subcommittees within the title documents makes changing the committee structure much more complex since there are legal processes involved. Moreover the inability to respond to change over time is not in line with other organisational forms.

9.1.3 Trust, conflict and training

The study participants within this research experienced a significant amount of conflict. Much of the conflict can be traced back to a lack of understanding of the strata mechanism or the processes in place during the sale and transfer of property. Thus many owners begin their interaction with the strata mechanism with a sense of mistrust engendered by these processes. Conflict within strata organisations have been commented on extensively by a number of academics. This has primarily been on the distrust and conflict between owners engendered by the failure of owners to put group good before individual good, and the reactionary nature of strata legislation (McKenzie 1998). This thesis confirms this view of distrust between owners for Victoria and Tasmania, and extends the view of distrust to include distrust between committee members as each person pushes their own point of view. Further, it moves the focus of distrust away from the individual owners and focuses on the distrust between two key player groups – the committee of management and strata manager.

The surprising finding in this research was the significant amount of distrust and lack of confidence in the strata managers that had been engaged by the committees of management. The committee chairs reported what amounts to

subversive bullying tactics in the form of email filtering, difficulties in accessing copies of key contracts, failure to provide transparent tendering mechanisms for sub-contracts and refusal by one strata manager to follow the owner corporation instruction. Coupled with this, strata managers reported dysfunction among their committees which in some instances bordered on disdain for their clients. This was particularly evident in the passages that referred to stand-up brawls amongst clients during meetings and abusive behaviour towards strata managers. The OCV (2010) policy documents also had an element of disdain for owners that did not understand the strata organisation or voting systems. Increasing purchaser knowledge prior to purchase and for existing owners through targeted training may assist here.

While the introduction of minimum mandatory Certificate IV training for strata property managers may resolve a number of these issues, it is unlikely to resolve all issues, particularly where it is taught by strata managers within institutional settings. The qualification is a minimum standard that may assist owners to have confidence when choosing their strata manager. However, the real test as outlined by Strata Manager D would be the application of sanctions against poorly performing strata managers by their industry body or government through the capacity to deregister poorly performing strata managers. To date this has not occurred within Victoria or Tasmania, nor is there the capacity to do so other than through the strata industry body. Perhaps there is an industry perception that to sanction poorly performing strata managers would bring the fledgling industry into disrepute. However, this does not appear to be the case. Such actions would engender trust amongst strata managers in terms of handover processes. More importantly it would engender trust among owners and committee chairs when choosing their strata manager.

Neither industry sanctions nor the Certificate IV for strata property managers will guarantee an appropriate level of conflict management skill for owners and committee members. The development of short courses aimed at these groups may assist in a greater understanding of the duties required by each party and the responsibilities that they hold. Similar courses are run in New South Wales on a voluntary basis through the Owner Corporation Network, a non-profit organisation set up to provide independent advice and advocacy for owners. The extension of this, or a similar network to other jurisdictions, would provide a valuable service to owners struggling to gain independent advice and advocacy. Potentially, it could

significantly alter the existing imbalance of power between developers, councils, strata managers and owners and their corporation. Moreover, the need for a network of strata owners to support each other has been raised by the corporation chairs within this study.

9.1.4 Process and procedure

While legislation outlines a number of processes and procedures relevant to the strata environment, it remains the duty of the owner corporation and strata managers to fill in the gaps to create a rigorous whole. The processes and procedures that existed at the time and place of these interviews were rarely transparent. There was a perceived lack of accountability for both strata managers and committees of management. Strata managers reported difficulty in getting committees of management to make decisions. In the same vein, committees of management reported difficulties in getting strata managers to implement decisions that they had made. This included issues of transparency related to managing their contracts. In particular the subservient contracts for cleaning, gardening and security could not be monitored by the committee of management and were not actively monitored by the strata managers. There appeared to be little negotiation or agreement as to the standard duties performed required by individual owner corporation.

9.1.5 Risk and the strata environment

As the densification of our cities increases, the compact, walkable city that marries living quarters with centres of economic activity is realised through strata property. McKenzie (2006b) and Nelson (2002) present opposing views, with one advocating for all property to be incorporated within strata precincts, the other suggesting that there are significant long term negative impacts to implementing the strata property mechanism. This thesis has outlined a number of those risks. For owners, there are financial, physical and emotional risks associated with being tied to other owners within a complex legal system that they may not have fully understood when purchasing their property. For owner corporation there are also financial, physical and emotional risks of trying to operate an organisation with limited resources. The failure of legal systems and disinterest of owners can have a direct bearing on the physical condition of strata complexes. Where there is little active or informed management in place, management by crisis may occur and be activated by leaking roofs or structural collapse leading to sudden financial and

emotional issues that impact on feelings about home. These crises tap into the owner's deepest sense of ontological security since each owner may feel threatened by the non-budgeted financial burden placed upon them by others within the owner corporation.

Resident involvement in the owner corporation is necessary to ensure residents do not feel 'impotent, anomic and isolated' (Bounds 2010, p. 151). Skill sets for building social cohesion as well as running an organisation, increasing volunteer labour and making robust decisions is lacking. Training for undertaking organisational roles and dealing with the politics and power plays that balances collective good against individual needs is necessary.

For policy makers, the creation of a city based on strata title also represents a significant risk. First, the lack of social cohesion within and beyond the owner corporation represents a significant challenge to policy makers. There is a need for neighbourhood communities to have settled residents willing to take part in local activities. Yet the literature reports that there is a tendency for people, particularly middle class people and tenants to move where situations of conflict occur. There may be reasons why others are forced to stay against their better judgement.

Second, where owner corporation fail to function effectively and decision making does not occur in a timely manner, the impacts can be catastrophic. This was noted in Silk et al's (2010) research into legionella within apartment buildings. A spread of such a disease could cause significant loss of productivity within business districts. However perhaps the greatest risk faced by legislators and policy makers is noted in the following passage:

'It seems higher density by infill is the latest politically correct taboo.

We are effectively told accept it, don't question it'. (N.N., Suburban

Landfill is a Mockery, *The Western Suburbs Weekly*, 1 April 2008)

That is, engaging with only the structural forces that create and sell strata property while failing to support those who live within the strata complexes through appropriate targeted research, training and networking opportunities represents a significant risk to the continued functioning of the walkable city.

9.2 Research and its opportunities

This paper has highlighted significant knowledge gaps within the strata sector in Victoria and Tasmania. The strata sector, particularly in Victoria is buoyant, with an

increasing number of larger inner city apartment complexes and luxury low rise living options available. The recently released Grattan Report (Kelly & Mares 2013) indicated that increasing the supply and density of housing in existing suburbs would ensure better job access and thus assist economic productivity. Medium to high density suburbs will no doubt become an increasing part of Australian lifestyles. To ensure that the experience is not marred by conflict and distrust of the built environment, additional research is required.

9.2.1 Structuration theory and outcomes

One of the key threads of structuration theory is that structure is constituted and reproduced throughout time through the reflexive monitoring of action. The effects of action at one point by an actor or group of actors accumulate into stable arrangements, giving rise to the legitimation of processes and signification through integrated practices.

Of course Giddens conceived an infinite number of time segments, while I have for convenience sake grouped several periods into one period of 'past' or 'present'. Within the past period, I grouped for convenience's sake land purchase, design, approvals period, construction, and sale. I did this because all these events occur prior to the individual purchasers taking ownership of their individual strata property. Yet in reality each of these stages is worthy of a detailed examination, since each has a discrete set of actors, legitimisation processes and rituals of decision making processes and approval mechanisms, which are reflexively monitored. For example the planning process is subject to rules (legislative requirements and Australian Standards) which the developer and designer must abide by. Planning approvals are legitimised through the ritual of application processes and negotiation over how tall, how large and what type of building is being proposed. The knowledge of expert planners and architects is required to sift through detail and ensure the rigorousness of compliance. Reflexive monitoring occurs by all parties including external community stakeholders. Decisions may be appealed. This is just one of the many time space dimensions that may be applicable to what I have described as 'past'. Likewise, in the present timeframe, each decision made by the committee can be viewed as discrete timeframes. The interaction between owners and the committee can be viewed in depth as can the interaction between individual owners for example.

By taking the stance of two timeframes I have balanced the need for greater depth against an overview of the situation in order to focus on the relationships that exist between strata managers and the owner committee or chair. I recorded and analysed how the rules, legitimisation process and reflexive monitoring of each event impacts on that relationship. In treading this line, I have provided data that is both 'rich' and 'thick' (Geertz 1973), but also linked that data to the wider societal framework. There is no right or wrong answer here, merely a need to acknowledge that a different thesis would have been written had I focussed on a different time space continuum, within Giddens's structuration theory. Greater attention to each time span within the creation of the strata development may provide richer information upon which to base policy decisions, though a sense of how these may fit together is also needed.

9.2.2 Media and advertising

In keeping with the idea that the creation of a strata complex is comprised of multiple discrete time-spans, it is possible to focus on the role of media and advertising in relation to how knowledgeable an owner is when entering into a purchase contract for strata property. This thesis has extended Goodman and Douglas's (2010) work on 'off-the-plan' developer advertising of strata complexes to include the message presented to purchasers through real estate and general media advertising. However there is still a gap to be filled here. Further information about how product savvy consumers of strata title products are would be beneficial in determining what additional information consumers need to make robust purchasing decisions, and provide them with the knowledge they need to successfully negotiate this contractually bound lifestyle. This applies to prospective renters as well as purchasers.

9.2.3 Contracting within the strata environment

This thesis has considered the contractual relationships that bind the strata manager to the owner corporation and thus all owners within a strata development. The thesis has highlighted key questions about accountability and transparency within the strata environment – not just about how the relationship between these two key players is conducted, but how service contracts are negotiated and overseen for the complex on behalf of the owner corporation. The strata industry and owners would benefit from more detailed information about the contractual issues faced by owner corporation and the amount of transparency experienced in

appointing and overseeing service contractors and strata managers. Lessons learnt from the housing industry contractual stranglehold throughout the 1980s and 1990s need to be assessed and applied to the strata industry. Research into how much power owner corporations have when it comes to negotiating contractual terms with strata managers is increasingly important given that there is an existing industry wide base contract supported by Strata Australia.

9.2.4 Assessing training within the strata environment

The year 2013 heralds a new era for strata managers within Australia. The introduction of the Certificate IV in Property (Strata Management) signals a change to the way in which strata managers are viewed by society. In order to gauge the effectiveness of training for strata managers, it would be strategic to undertake a skills assessment of strata managers before and after the training to better understand how the training has assisted strata managers to undertake their role. Further research could be conducted to determine whether the training undertaken by strata managers has been beneficial to the owner corporation.

9.2.5 Financing for strata

This thesis raised a financing issue relevant to the owner corporation. There is a need to understand how well consumers understand and budget for maintenance deficits. This aspect needs to be understood at both the prospective purchaser level and at the existing owner level. Research in this area is important because it has ramifications in terms of overall housing affordability.

9.2.6 To what extent does the strata environment access non-profit (and profitable) grants

This thesis has provided evidence that under current ATO Ruling 2505, owner corporation are non-profit organisations. The 1988 ruling was originally designed to relieve owner corporation from tax obligations and reporting requirements attributable to for-profit organisations. However the growth in owner corporation numbers and size of those organisations over the past decade means that there are a significant number of strata corporation now able to access the provisions of Ruling 2505. More research is needed to determine how many organisations access this provision. More research is needed to determine the impact (if any) of non-profit status for strata organisations is impacting on the non-profit sector in terms of grant usage that may have primarily been designed to assist charitable and sporting organisations.

9.3 Contribution to knowledge

Throughout this research I have posed the following three questions:

- a. How does the governance of organisations (owner corporations) work?
- b. Within owner corporations, how do stakeholders interact to impact governance? The particular emphasis is on the interaction between strata managers and the committee of management.
- c. Can structuration theory be used to explain governance within the owner corporation?

Here I outline how I have extended knowledge in these three areas.

9.3.1 How does the governance of organisations (owner corporations) work?

Governance is a system of structure, processes and procedures. Though there are differences between the owner corporation and other organisational forms, governance is still a central concept for the owner corporation. Structure is determined by not only by legislative imperative, but by the power vested in other systems as well. Structure is determined by developers, local and state planning agents, and by strata managers who influence the type and number of rules made as by-laws. Reflexive monitoring by owner corporation has had little influence on structure which remains fixed in the past time. Where structural changes are made, generally they appear to be at the behest of industry bodies such as Strata Australia and the state based derivatives.

Processes and procedures are evident. Reflexive monitoring by both strata managers and committees of management occur. However, meaning is sometimes lost or does not lead to structural change.

This thesis makes contribution through gaining new understandings of the owner corporation environment through demonstrating the power plays involved between committees of management and strata managers. It assesses the similarities and differences between the way in which other organisations function and the way in which the owner corporation functions, highlighting similarities and differences.

9.3.2 Within owner corporations, how do stakeholders interact to impact governance?

This thesis presented a total of four different models to depict the various stakeholder relationships. Each of these models provided information about the hierarchical relationships that owners have with each other, with the committee of management or with the strata manager and developer. It extended the known ways in which we view developer influence over the owner corporation by linking them to the strata industry and strata managers. There appears to be a wresting of power between the strata managers and the owner corporation, committee of management. The wresting of power between the two leads to negative outcomes for governance. Both parties felt in some way that the other party was to blame. Strata managers blamed owners and their committees of management for not being responsive in attending AGM. Yet where the committees were responsive and wanted to take control of their complexes, strata managers appeared unwilling to let go of the reigns, usurping the power vested in the committee chair at meetings. Committee chairs wanted access to both primary and secondary contract details in order to more effectively monitor their organisation. While this information was difficult to get, there appeared to be no understanding of how important the keeping of these documents and adequate handover of documents were within the owner corporation. The result was a lack of trust or dismissal of the other between these two key players, often creating a downward relationship spiral, and leading to greater distrust between the two parties. The processes and procedures were negatively impacted by a relationship that should have helped enhance the owner corporation's ability to function. Few owner corporations appeared to be meeting regulatory requirements in terms of sinking funds and planned maintenance regimes. Again blame was laid at the door of both parties, with strata managers stating that the process was there, but the decision making ability of the committee of management was lacking. Whereas committees of management found that the administrative duties performed by strata managers led to reliability of plans and setting up of sinking funds or contracts to be questionable.

These issues are raised in the context of governance within a specific organisation, the owner corporation. As key players, the relationship between strata managers and committees of management have a role to play in sustaining structure, processes and procedures. By concentrating on where these may go astray, a

better understanding of how each party (strata manager and committee of management) contributes to the functioning of the owner corporation is gained. In particular, there is a greater understanding of how the contractual mechanisms between each party enhance power relations between the two.

9.3.3 Can structuration theory be used to explain governance within the owner corporation?

Throughout this thesis, the application of structuration theory has been used to highlight enabling and constraining forces within the owner corporation. Both impact on governance.

This thesis has extended theoretical knowledge through the application of structuration theory to the owner corporation context by providing a framework that included an extension of Briande and Bellemare's (2006) model. The extended model included the application of three timeframes in which structure and signification changed considerably.

A model was presented that detailed the combined structural forces that occur in the past timeframe. The political, banking, insurance and construction industries combine with council, developers, real estate and strata industry to present a powerful lobby group against which agency of individual owners or owner corporation appear ineffective. The reflexive monitoring of these industries in terms of how they may potentially affect the owner corporation or individual owners is missing.

The present timeframe was explored in detail but needed to reference the past timeframe in order to contextualise structure, processes and procedures. It found that while the system was set up to facilitate an exchange of power between the two timeframes, a lack of signification meant that the change to power relationships did not always exist. Strata managers seemed more closely aligned to developers than to the owner corporation and committee of manager whom they were employed to assist. Both strata managers and committees of management appeared to struggle with governance issues as a result of this power imbalance.

Through the application of structuration theory to the owner corporation environment, new understandings of the owner corporation environment and organisation form have been gained. I have demonstrated the utility of structuration theory in this power/organisational context. There has been a particular emphasis

on the power plays involved between committee of management and strata managers.

9.4 Concluding comments

All projects contain an element of risk. A thesis is no different in this respect. Risk and mitigating risk within the thesis are necessarily a part of any research project. Yet the best laid plans can go astray. All researchers become immersed in their project. It sometimes comes as a surprise then, that not everyone has the same lens. The insights detailed in this thesis were yielded through the close engagement of one researcher with the contemporary experience of a number of closed communities in the form of owner corporation. It is from a practitioner point of view that I started, and from this that I leave the final word.

The role of the review of literature within this thesis extended beyond outlining a theoretical gap or gaps. Firstly, by using a combination of academic literature and document analysis as outlined by Pels (2000), Cresswell (1998) and Mills (1958), I have deliberately defined the owner corporation as a non-profit organisation. This is an important step for the following reasons. The owner corporation has impacts on wider society, particularly in relation to the tax system and economy as a whole. Secondly, it placed the issue in terms of the compact city and patterns of place. Lastly, it links the issues of collective action, control, and contract management to other non-profit boards and therefore enables valuable learning opportunities by comparing like with like.

Theoretical insights were gained through the application of structuration and power paradigms. I outlined an approach that allowed exploration of four key themes. These themes attempted to fill a number literature gaps. First, there was the role of agents within the 'past' time-span as they relate how knowledgeable prospective purchasers are about the strata environment they are purchasing into. Second, the role of the developer and council were considered in terms of the impact they had on future viability of the owner corporation. Third, the issue of trust, conflict and collection action was considered as it related to the relationship between the strata manager and the owner corporation. Next, contractual issues faced by the strata manager and the owner corporation were commented on. This was followed by a discussion of perceived, effective attributes considered necessary to facilitate sound working relationships between owner corporation and their strata managers. Integral to this was a discussion of the proposed certification processes for strata

managers and the need for training and support networks for owner corporation. The application of structuration theory coupled with the power and conflict paradigm throughout this thesis has ensured that the rules, legitimation processes and reflexive monitoring undertaken by a range of actors were considered. Each has been identified, commented on and placed within a whole. What is left is a sense of a complex organisation placed within political and societal expectations. It is expected to function as an organisation without the usual safeguards associated with organisations. That is, those who enter into the organisation often are unaware that they have done so, and have diminished power to act due to the collective nature of the organisation.

Part F - Appendices

Appendix 1

Litmus test questions

Semi structured interview questions

Seeking Participants Flyer

1.1 Litmus test questions applied to qualitative interview participants

Litmus Test questions

- Where is the complex located?
- How old is the complex?
- Are you an owner?
- Is it a commercial complex?
- Have capital works been undertaken to the building in the past 6 years?
- Did the owners deliberately come together to create a community?
- Is or has your owner corporation been involved in any legal disputes?

1.2 Semi structured interview questions

Consent

- Do you freely consent to this interview and it being taped?
- Do you have an active body corporate?
- Are you an owner, position holder, external manager?
- Do you have the other owners permission to participate?

General questions

- What is the size of the complex? How many unit entitlements are there?
- Is it an apartment complex or free standing units or houses?
- What are the common areas within your complex?
- How often do units tend to change hands?
- Is it mainly rented or owner occupied?
- What is your relationship with the other owners?
- How well generally do you think the complex is managed?

Governance

- When was the last time a meeting was held?
- Is there anything about the way things are currently run that is of concern to you?
- If there is no body corporate how do you get things done?
- What sort of issues come up and how are they resolved?
- Have there been any by-laws made?
- What do you do about pets /unruly behaviour?
- Who pays the insurance on each unit? The common areas?
- What are the reasons for that?
- Who sets the levy contribution? How often is that paid?
- What would happen if there was a sudden expense to the common property?
- If you could not resolve an issue, what would happen?
- How many elected members are there?
- How often do you hold meetings? Is this sufficient?
- How do you induct new members to the board?
- What sort of a change over period do you have for new external managers?
- What issues are referred to you external manager?
- Has there ever been a matter that cannot be resolved through either the board or the external manager?
- What is your assessment?

Stakeholder cohesion

- How do you communicate with people not on the boards?
- How do you communicate with your external manager?
- What sort of issues do you deal with?
- What is the grievance procedure?
- Can you give me an examples?

Professionalism

- What is the background of people who live in the complex?
For example, legal, accounting?
- How do you determine whether the BC needs external management? Is it time or qualification related decision?
- If you were to have a board, what qualifications do you think is relevant for board members? For external managers?
- Is this sufficient for your needs?
- How is knowledge about the complex or procedures passed between old and new owners?
- How is knowledge about the complex or procedures passed between the external manager and board members?
- Do you have a sinking fund for future large item expenditure?
- If there were changes to the laws governing strata units, how would you find out about them?
- How has the complex dealt with changes to government policies such as the introduction of digital TV and Optic fibre, board band introduction? Are you ready for changes?

Sourcing strategy

- How do you determine whether the owner corporation needs external management? Is it time or qualification related decision?
- What qualifications do you think is relevant for board members? For external managers?
- How well do you think the owner corporation is being run? Does it meet the owners needs? Legislative needs?
- How did the current manager get appointed?
- What is his current term of appointment? Is this his first term? Will he be reappointed?
- What sort of issues do you deal with?
- How do you deal with contract issues?
- Are there any current contracts for cleaning, gardening etc?

1.3 Seeking participants flyer



Participants wanted for research into Owner Corporation Committees and Strata Management Companies

Researchers from Victoria University, Faculty of Business and Law, are looking at how Strata Management Companies and Owner Corporation Committees work together.

If you are on an Owner Corporation Committee, or are a manager in a Strata Management Company, you can contribute to this study by being interviewed about your experiences and views.

The aim is to better understand the influences that impact on a well run strata development including the role of a strata management company, and why some committees choose to employ a strata management company.

Interviews will be held in March and April 2010 and will take approximately half an hour.

If you are interested in participating, please contact:

Erika Altmann
Research student
Phone: 0417 016 267
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OR

Professor Michael Muetzelfeldt
Victoria University
Phone: 0418 318 047
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Appendix 2

Research publications list

Journal Articles

Altmann, E. 2013. Apartments, co-ownership and sustainability: implementation barriers for retrofitting the built environment, *Journal of Environmental Policy & Planning*, ifirst online 25 November 2013 at <http://dx.doi.org/10.1080/1523908X.2013.858593>

Altmann, E. (forthcoming). How does high density living impact third sector organisations? An exploration of financial and voluntary workforce implications for non-profit organisations. *Third Sector Review*, 20(1).

Altmann E, (under review) 'Professionalization of the strata industry: what are the impacts for governance?' *Property Management* (submitted 9 July 2014).

Book Chapters

Altmann, E. (forthcoming). Tenancies, Committees of Management and the Strata Environment, in Dufty-Jones, R. & Rogers, D. *Housing in the twenty-first Century Australia: Contemporary Debates*, Chapter 7. (Acceptance date 29 Jan 2014).

Altmann, E. 2013. Using Nvivo in qualitative research, Chapter 5 in Walters, M. (eds) *Social Research Methods* 3rd edition (on-line), Oxford University Press Melbourne, http://www.oup.com.au/titles/higher_ed/social_science/sociology/9780195520170#tabContents8

Peer Reviewed Conference Papers

Altmann, E. Place branding influences on strata titled property in Australia, *Proceedings of the 27th Australian and New Zealand Academy of Management (ANZAM) Conference* 3-5 December 2013, Hobart, Tasmania, pp 1-16. (2013)

Altmann, E. Organisations, governance and multi-owned housing, *Proceedings of the 6th Australasian Housing Researchers' Conference 2012*, 8-10 February 2012, Adelaide, South Australia, pp. 1-18. (2012).

Altmann, E. The impact of strata titled properties on the Australian NFP sector, *Proceedings of the 26th Australian and New Zealand Academy of Management (ANZAM) Conference*, 5-7 December 2012, Perth, Western Australia, pp. 1-14. (2012).

Other Publications

Altmann, E. 2011. Strata title legislation and the implications for homelessness, *Parity, Council to Homeless Persons*, 24(10), pp. 45-46
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